



## **NEWCASTLE MUNICIPALITY**



## **FINAL MEDIUM TERM BUDGET**

**2019/20 TO 2021/22**

**“GROWING NEWCASTLE TOGETHER”**

**EXTRACT FROM THE MINUTES OF THE MEETING OF THE NEWCASTLE MUNICIPAL COUNCIL, HELD IN THE CONFERENCE ROOM, SHOW HALL, IN NEWCASTLE ON WEDNESDAY, 29 MAY 2019 AT 14:00**

---

**PRESENT**

|            |   |   |               |
|------------|---|---|---------------|
| Councillor | V | V | Bam           |
| Councillor | L | L | Bosman        |
| Councillor | M | V | Buhali        |
| Councillor | E | J | Cronje        |
| Councillor | T | J | Danisa        |
| Councillor | X | N | Dladla        |
| Councillor | B | S | Dlamini       |
| Councillor | F | P | Gama          |
| Councillor | V | F | Hadebe        |
| Councillor | A |   | Khoza         |
| Councillor | P | J | Khumalo       |
| Councillor | V | D | Kubeka        |
| Councillor | C | Y | Liu           |
| Councillor | N | N | Mahlaba       |
| Councillor | N | K | Majozi        |
| Councillor | F | A | Malinga       |
| Councillor | A | N | Mbuli         |
| Councillor | R | N | Mdluli        |
| Councillor | A | P | Meiring       |
| Councillor | S | G | Miya          |
| Councillor | H | N | Mkhwanazi     |
| Councillor | T | P | Mkhwanazi     |
| Councillor | M | S | Mlangeni      |
| Councillor | S | W | Mngomezulu    |
| Councillor | N | G | Mnguni        |
| Councillor | A | S | Mokoena       |
| Councillor | M | V | Molefe        |
| Councillor | R | M | Moleko        |
| Councillor | M | V | Mthembu       |
| Councillor | P | B | Mwali         |
| Councillor | V | P | Mzima         |
| Councillor | T | M | Ndaba         |
| Councillor | R | B | Ndima         |
| Councillor | S | S | Ndlangamandla |
| Councillor | M | S | Ndlovu        |
| Councillor | P | F | Ndlovu        |
| Councillor | M | E | Ngcobo        |
| Councillor | B | C | Ngema         |
| Councillor | D | R | Ngema         |
| Councillor | D |   | Ngwenya       |
| Councillor | C | L | Nhlapho       |
| Councillor | S | J | Nhlapho       |
| Councillor | S | N | Nkosi         |
| Councillor | J | B | Nkwanazi      |
| Councillor | T |   | Nzuza         |
| Councillor | S | E | Shabangu      |
| Councillor | M |   | Shunmugam     |
| Councillor | D | M | Siblwane      |
| Councillor | L | T | Sikhosane     |
| Councillor | G | M | Thwala        |

|               |   |   |         |                      |
|---------------|---|---|---------|----------------------|
| Councillor    | L | G | Thwala  |                      |
| Councillor    | S | M | Thwala  |                      |
| Councillor Dr | J | A | Vorster |                      |
| Councillor    | S | A | Yende   |                      |
| Councillor    | M | F | Zikhali |                      |
| Councillor    | V | G | Zondo   |                      |
| Councillor    | N | S | Zulu    |                      |
| Councillor    | S | J | Zulu    |                      |
| Councillor    | S | Z | Zulu    |                      |
| Councillor    | T | M | Zulu    |                      |
| Councillor    | N | A | Zwane   |                      |
| Inkosi        | B | D | Khumalo | : Traditional Leader |
| Inkosi        | C | S | Kubheka | : Traditional Leader |

### **ABSENT WITH APOLOGY**

|            |   |   |           |                     |
|------------|---|---|-----------|---------------------|
| Councillor | S | B | Buthelezi | : other commitments |
|------------|---|---|-----------|---------------------|

### **ABSENT WITHOUT APOLOGY**

|            |   |   |         |                      |
|------------|---|---|---------|----------------------|
| Councillor | D | X | Dube    |                      |
| Councillor | B | V | Khumalo |                      |
| Inkosi     | B | S | Radebe  | : Traditional Leader |

### **VACANCIES**

Ex PR Councillor : J.N.C. Mkhwanazi  
 Ex PR Councillor : D.P. Sibiya  
 Ex PR Councillor : M.W. Twala

### **CM36 (ii) : Final medium term budget 2019/2020 : (BTO 6/1/1 - 2019/2020)**

#### **RESOLVED**

- (a) That in terms of section 24 of the Municipal Finance Management Act, 56 of 2006 , the annual budget of the Municipality for the financial year 2019/20; and indicative allocations for the two projected outer years 2020/21 and 2021/2022; and the multi-year and single year capital appropriate be approved;
- (b) that the source to fund both operating and capital budget be noted and approved;
- (c) that the Municipality's annual allocation of R87 080 881 to uThukela Water for the provision of bulk water be approved;
- (d) that in terms of section 24(2) (c)(i) of the Municipal Finance management Act, 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out Tariff of Charges that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2019 for all services, except for water and electricity consumption, which be levied on the new tariff with effect from 1 August 2019;

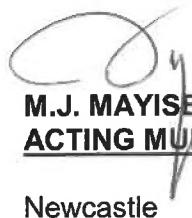
- (e) that the Tariff of Charges be approved and be applicable with effect from 1 July 2019;
- (f) that Water, Refuse and Sundry tariffs be increased by 6% with effect from 1 July 2019;
- (g) that Sewer tariffs be increased by 6% consumption and 0% for availability charge, with effect from 1 July 2019;
- (h) that property rates tariffs be increases by 0% and impermissible for all residential properties be increased to R85,000 and it noted that the new valuation roll will be applicable with effect from 1 July 2019;
- (i) that the electricity tariff be increased provisionally by 13.07%, which is based on the NERSA guidelines on municipal tariff and the application and it be noted that the an application has been submitted to NERSA in this regard;
- (j) that bulk electricity purchase is increased by 15.63% as per NERSA's ESKOM tariff approval
- (k) that in terms of the Indigent Policy, the monthly household earnings of an indigent application be capped to twice the state pension per month;
- (l) that indigent benefit packed be approved as follow :-
 

|                          |   |        |
|--------------------------|---|--------|
| Electricity consumption  | : | 50kW/h |
| Water consumption        | : | 6 kl   |
| Electricity availability | : | 100%   |
| Sewer                    | : | 100%   |
| Refuse                   | : | 100%   |
| Property rates           | : | 100%;  |
- (m) that the rate rebates be capped and approved as follows :-
 

|  |     |
|--|-----|
| Pensioners   | 25% |
| Flood victims  | 50% |
| Bed and breakfast businesses                                 | 10% |
| Business development with property greater than R50 million: |     |
| from 0-4 years   | 40% |
| from 5-6 years   | 25% |
| from 7-8 years   | 10% |
| from 9 years onwards   | 0%; |
- (n) that Budget Policy, be noted and approved;
- (o) that the tariff Policy, be noted and approved;
- (p) that the Rates Policy, be noted and approved;
- (q) that the Indigent Policy, be noted and approved;
- (r) that the Customer Care, Credit Control and Debt Collection Policy, be noted and approved;

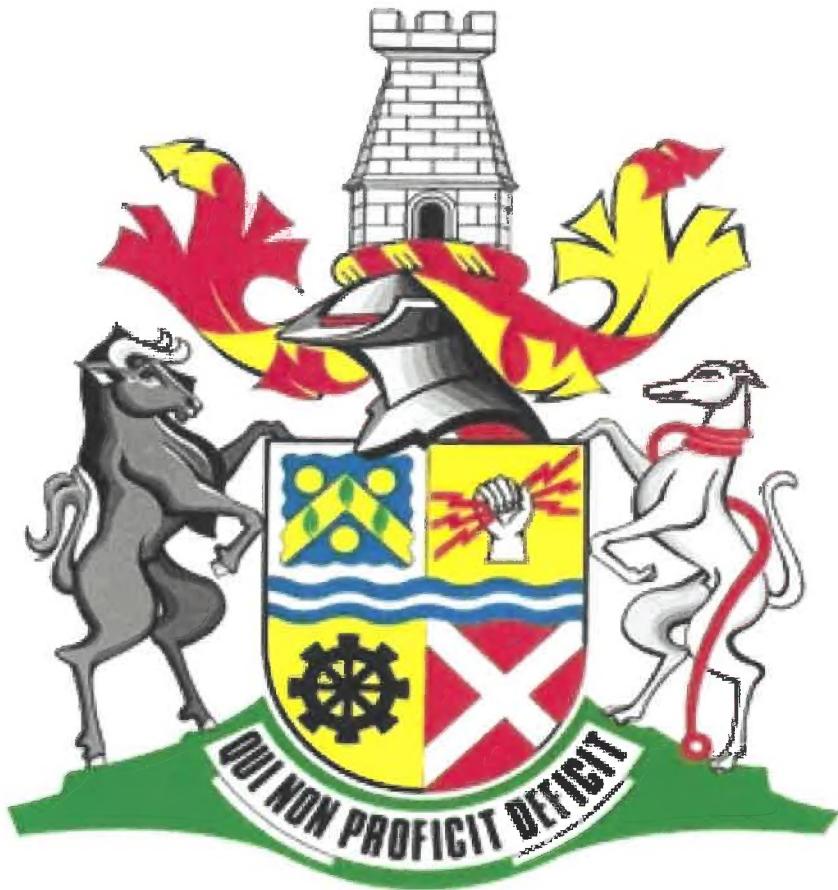
- (s) that the Provision for Doubtful Debt and Debtors Write-Off Policy, be noted approved;
- (t) that the Supply Chain Management Policy, be noted and approved;
- (u) that the Cash and investment Management Policy, be noted and approved;
- (v) that the Asset Management Policy, be noted and approved;
- (w) that the Petty Cash Policy, be noted be approved;
- (z) that the Virement Policy, be noted and approved ;
- (y) that the Funding and Reserve Policy, be noted and approved;
- (z) that the Borrowing Policy, be noted and approved;
- (aa) that the Loss control Policy, be noted and approved;
- (bb) that the Short-term Insurance Policy, be noted and approved;
- (cc) that the Cost Containment Policy, be noted and approved;
- (dd) that the Property rates By-Laws, be noted and approved;
- (ee) that the Tariff By-Laws, be noted and approved.

I, the undersigned, **MUZI JUSTICE MAYISELA**, in my capacity as **ACTING MUNICIPAL MANAGER** to the Newcastle Municipal Council, hereby certify the above as a true extract from the minutes of the meeting held on 29 May 2019.



**M.J. MAYISELA**  
**ACTING MUNICIPAL MANAGER**  
Newcastle

**ANNEXURE A**  
**BUDGET DOCUMENT**



# **FINAL MEDIUM TERM BUDGET 2019/20 TO 2021/22**

**“GROWING NEWCASTLE TOGETHER”**

**TABLE OF CONTENTS**

---

| <b>NO</b> | <b>SECTION DESCRIPTION</b>   | <b>PAGE</b> |
|-----------|--|-------------|
| I         | Abbreviations and Acronyms   |             |
| II        | Council Organisational Structure   |             |
| III       | Newcastle Municipality Profile   |             |
|           |  |             |
| 1         | <b>PART 1 – FINAL BUDGET</b>   |             |
| 1.1       | Mayor's Report   |             |
| 1.2       | Final Budget Resolutions   |             |
| 1.3       | Executive Summary  |             |
| 1.4       | Final Budget Tables and Related Charts   |             |
|           |  |             |
| 2         | <b>PART 2 – SUPPORTING DOCUMENTATION</b>   |             |
| 2.1       | Overview of the Annual Budget Process  |             |
| 2.2       | Overview of alignment of annual budget with Integrated Development Plan                  |             |
| 2.3       | Measurable Performance Objectives and indicators   |             |
| 2.4       | Overview of budget related policies  |             |
| 2.5       | Overview of budget assumptions   |             |
| 2.6       | Overview of budget funding   |             |
| 2.7       | Grant allocations and grant programmes   |             |
| 2.8       | Allocations and grants made by the municipality  |             |
| 2.9       | Councillor and board member allowances and employee benefits                             |             |
| 2.10      | Monthly targets for revenue, expenditure and cash flows                                  |             |
| 2.11      | Annual budget and service delivery and budget implementation plans- internal departments |             |
| 2.12      | Annual budget and service delivery and budget implementation plans- internal departments |             |
| 2.13      | Contracts having future budgetary implications   |             |
| 2.13      | Capital expenditure details  |             |
| 2.14      | Legislation compliance status  |             |
| 2.15      | Annual budget of municipal entities attached to the municipality's annual budget         |             |
| 2.16      | Municipal manager's quality certification  |             |

---

## I. ABBREVIATIONS AND ACRONYMS

|       |  |
|-------|--|
| CPIX  | Consumer Price Index                               |
| DoRA  | Division of Revenue Act                            |
| DOHS  | Department of Human Settlements                    |
| DPLG  | Department of Provincial and Local Government      |
| EXCO  | Executive Committee                                |
| GDP   | Gross Domestic Product                             |
| GRAP  | Generally Accepted Accounting Practice             |
| IDP   | Integrated Development Plan                        |
| IT    | Information Technology                             |
| Kl    | Kilolitre  |
| Km    | Kilometre  |
| Kh    | Kilo watt hours                                    |
| MFMA  | Municipal Finance Management Act                   |
| MPRA  | Municipal Property Rates Act                       |
| MSCOA | Municipal Standard Chart of Accounts               |
| MTREF | Medium Term Revenue and Expenditure Framework      |
| NDP   | National Development Plan                          |
| NERSA | National Electrification Regulator of South Africa |
| NT    | National Treasury                                  |
| SALGA | South African Local Government Association         |
| SDBIP | Service Deliver and Budget Implementation Plan     |

## II. ORGANISATIONAL STRUCTURE AND COUNCIL

### EXECUTIVE COMMITTEE

| DESIGNATION                | SURNAME & INITIALS | PORTFOLIO COUNCILLOR                        | POLITICAL PARTY | WARD |
|----------------------------|--------------------|---|-----------------|------|
| Mayor                      | MAHLABA N N G      | Budget and Treasury Office                  | ANC             | PR   |
| Deputy Mayor               | SIBIYA D P         | Community Services                          | ANC             | PR   |
| Executive Committee Member | BAM V V            | Corporate Services                          | IFP             | PR   |
| Executive Committee Member | CRONJE E J C       | Community Services                          | DA              | 2    |
| Executive Committee Member | MDLULI R N         | Corporate Services                          | ANC             | 13   |
| Executive Committee Member | MOLELEKO A R M     | Technical Services                          | ANC             | 12   |
| Executive Committee Member | SHUNMUGAM M        | Planning, Development and Human Settlements | ANC             | 3    |
| Executive Committee Member | THWALA S M         | Technical Services                          | EFF             | PR   |
| Executive Committee Member | ZWANE N A          | Budget and Treasury Office                  | ANC             | PR   |

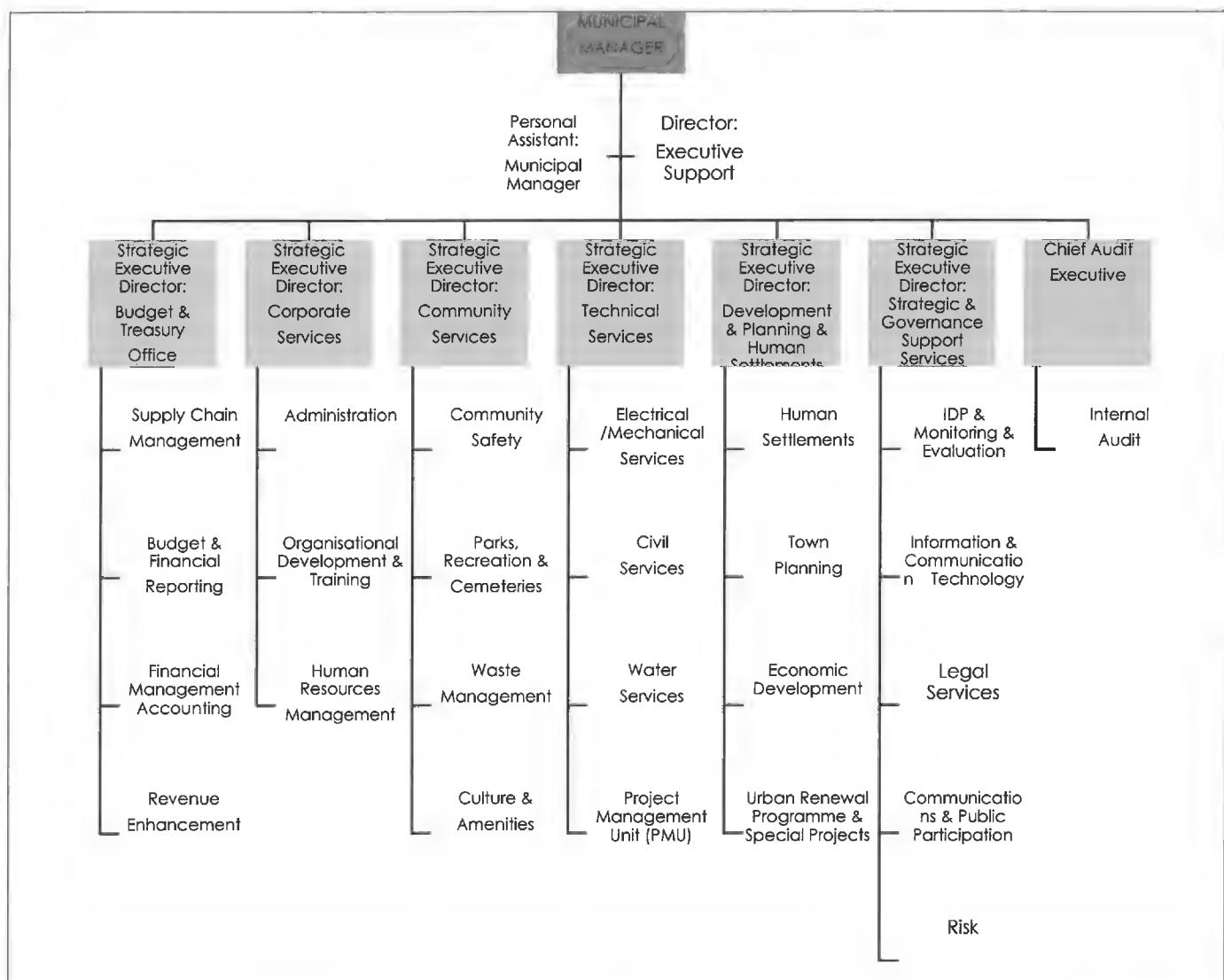
### COUNCIL

| DESIGNATION | SURNAME & INITIALS | POLITICAL PARTY | WARD |
|-------------|--------------------|-----------------|------|
| Speaker     | MKHWANAZI J C N    | ANC             | PR   |
| Councillor  | BOSMAN L L         | VFP             | PR   |
| Councillor  | BHULI M V          | AZAPO           | PR   |
| Councillor  | BUTHELEZI S B      | EFF             | PR   |
| Councillor  | DANISA T J C       | ANC             | 31   |
| Councillor  | DLADLA X N M       | ANC             | 1    |
| Councillor  | DLAMINI B S        | ANC             | 26   |
| Councillor  | DUBE D X           | IFP             | PR   |
| Councillor  | GAMA F P           | ANC             | 32   |
| Councillor  | HADEBE V F         | EFF             | PR   |
| Councillor  | (VACANT)           | ANC             | 22   |
| Councillor  | KHOZA A            | ANC             | 28   |
| Councillor  | KHUMALO B V        | ANC             | 7    |
| Councillor  | KUBEKA V D         | ANC             | 8    |
| Councillor  | LIU C              | IFP             | PR   |
| Councillor  | MALINGA F A        | IFP             | PR   |
| Councillor  | MAJOZI N K         | ANC             | 11   |
| Councillor  | MBATHA N Y         | ANC             | PR   |
| Councillor  | MBULI A M          | DA              | PR   |

|                    |                   |           |    |
|--------------------|-------------------|-----------|----|
| Councillor         | MEIRING A P       | DA        | 4  |
| Councillor         | MIYA S G          | ANC       | 19 |
| Councillor         | MKHWANAZI H P     | ANC       | 30 |
| Councillor         | MKHWANAZI T P     | ANC       | 34 |
| Councillor         | MLANGENI M S      | IFP       | PR |
| Councillor         | MNGUNI N G        | ANC       | 18 |
| Councillor         | MOLEFE M V        | ANC       | 21 |
| Councillor         | MTHEMBU M V       | ANC       | 29 |
| Councillor         | MWALI PB          | INDEPEND. | 23 |
| Councillor         | MZIMA V P         | ANC       | PR |
| Councillor         | NDABA T M         | ANC       | 15 |
| Councillor         | NDIMA R B         | IFP       | PR |
| Councillor         | NDLANGAMANDLA S S | ANC       | 27 |
| Councillor         | NDLOVU M S        | DA        | PR |
| Councillor         | NDLOVU P F        | EFF       | PR |
| Councillor         | NGCOBO M E        | ANC       | 25 |
| Councillor         | NGEMA B C         | ANC       | 9  |
| Councillor         | NGEMA D R         | ANC       | PR |
| Councillor         | NGWENYA D         | ANC       | 16 |
| Councillor         | NHLAPHO C L       | IFP       | PR |
| Councillor         | NHLAPHO S J       | ANC       | 10 |
| Councillor         | (VACANT)          | ANC       | PR |
| Councillor         | NKOSI S N         | PRM       | PR |
| Councillor         | NKWANAZI J B      | DA        | PR |
| Councillor         | NZUZE T M         | IFP       | PR |
| Councillor         | SHABANGU S E      | ANC       | 24 |
|                    |                   |           |    |
| Councillor         | SIBILWANE D M     | ANC       | 17 |
| Councillor         | SIKHOSANE L T     | ANC       | 20 |
| Councillor         | STEIN S L         | DA        | PR |
| Councillor         | THWALAG M B       | ANC       | 29 |
| Councillor         | THWALA L G        | ANC       | 5  |
| Councillor         | TWALA M W         | EFF       | PR |
| Councillor         | VORSTER J A       | IFP       | 9  |
| Councillor         | YENDE S A         | ANC       | PR |
| Councillor         | ZIKHALI M F       | ANC       | 14 |
| Councillor         | ZONDO V G         | ANC       | PR |
| Councillor         | ZULU N S          | IFP       | PR |
| Councillor         | ZULU S J          | RLP       | PR |
| Councillor         | ZULU T M          | IFP       | PR |
| Councillor         | ZULU S Z          | ANC       | 6  |
| Traditional Leader | KUBHEKA C S       |           |    |
| Traditional Leader | RADEBE B S        |           |    |

## SENIOR MANAGERS

| DESIGNATION   | SURNAME & INITIALS |
|---|--------------------|
| Acting Municipal Manager  | Mayisela M J       |
| Acting Strategic Executive Director: Budget and Treasury Office           | Nkosi S M          |
| Strategic Executive Director: Corporate Services                          | Dr Mahlubi N y     |
| Strategic Executive Director: Technical Services                          | Chauke S           |
| Strategic Executive Director: Community Services                          | Nkosi B D          |
| Strategic Executive Director: Development, Planning and Human Settlements | Govender V         |
| Senior Audit Executive  | Chenia S           |



### III. NEWCASTLE MUNICIPALITY PROFILE

According to the recent Community Survey (2016) conducted by Statistics SA, Newcastle Local Municipality (KZN252) remains the highest contributor in terms of population growth within Amajuba District Municipality. As of 2016, the population of Newcastle is recorded at 389 117 people, thus marking a 7.1 % increase (25 881 people) over a 5-year period from the year 2011 (363 236 people). This means that on average, Newcastle has experienced a 1,42% annual growth rate, which translates to 5 176 people per year. Newcastle has also experienced a significant increase in the total youth proportion of the population. In terms of the wider KwaZulu-Natal Province, Newcastle ranks 2nd as the local municipality with the highest number of people when compared to other local municipalities, with the highest being the Msunduzi Local Municipality. The population of Newcastle is spread unevenly over 34 wards as per the outcomes of the recent delimitation process by the Demarcation Board, marking a 3 wards increase.

Furthermore, there has been a 7% increase (6 075) in the number of households within Newcastle from 84 272 in 2011 to 90 347 in 2016, with the average household size remaining constant at 4.3 people per dwelling unit. In relation to other local municipalities within the KwaZulu-Natal Province, in the year 2011, Newcastle Local Municipality was ranked 3rd after the Msunduzi and uMhlathuze Local Municipalities respectively. However, recent statistical figures reveal that Newcastle Local Municipality has dropped to 4th place after the Msunduzi, uMhlathuze, and KwaDukuza Local Municipalities respectively. In terms of the 2nd and 3rd ranked local municipalities, the reason for growth in the number of households without any significant growth in the population thereof may be attributed to a general decrease in the average household size thereof, from 3,9 to 3,6 people, and 3,3 to 3,0 people per household respectively.

Traditionally, the town of Newcastle started off as Post-Halt Number 2 on the journey between Durban (then Port Natal) and the Zuid-Afrikaansche Republiek (Transvaal) and Johannesburg. It was strategically positioned in the year 1854, by the Surveyor General of the Natal Colony, Dr. P. C. Sutherland. The city was later known as the Waterfall River Township because of the Ncandu River and, in 1864, the town of Newcastle was founded on the site becoming the forth settlement to be established in natal after Durban, Weenen and Pietermaritzburg. Newcastle was named after the British Colonial Secretary, the Duke of Newcastle and, in 1873 Newcastle became a separate electoral division. In the year 1876, the Fort Amiel was built as a barrier against the Zulus, Fort Amiel now being embraced as one of the significant national heritage sites.

In 1897, a sandstone construction of the town hall started and it was completed two years later in 1899. The town hall was constructed in commemoration of Queen Victoria's diamond, the '60th Jubilee.' The town was also used as a depot by the British during the First and Second Boer War. It also functioned as a major transport junction and a popular stopover for wagons and post chaises during the late 19th century. Newcastle also served as an arena when the British preparation work for the Pretoria Convention of 1881 was done. In 1890, the first train arrived in Newcastle and in the year 1891, Newcastle was declared a district with its own administrative unit. The discovery of coal reserves brought a new era of prosperity and the planning of several ambitious building projects.

Newcastle Local Municipality is one the three local municipalities that make up Amajuba District Municipality, with the others being Dannhauser and eMadlangeni Local Municipalities. It is located on the North-Western of the KwaZulu-Natal Province and borders onto Free State and Mpumalanga Provinces to the West and North respectively. The local municipalities of eMadlangeni and Dannhauser Local Municipalities are located along the Eastern and Southern boundaries of Newcastle. Spatially Newcastle covers an area of approximately 1 854km<sup>2</sup> in extent. A high majority of the people (80%) within Newcastle resides within the Newcastle East area, which is predominantly township and semi-rural areas characterised by a general lack of adequate infrastructure.

The boundaries of Newcastle Local Municipality were delineated in terms of the Municipal Demarcation Act, 1998 (Act No. 27 of 1998), and takes in account population movement trends, regional economic patterns and the current land use pattern. Currently Newcastle has 34 wards and out of these wards, wards 1, 6, 7, and 30 fall under the custodianship of the Tribal Authorities (Inkosi u-Khathide and Inkosi u-Hadebe) held in trust on behalf of the Ingonyama Trust Board, in terms of the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act No. 3KZ of 1994). As mentioned above, the population is spread unevenly amongst 34 wards with the majority of the population residing in the Newcastle-East area. The boundaries are not just administrative, but are also intended towards the promotions of social cohesion and economic development that's mindful to environmental sustainability, whilst at the same time strengthening the existing regionally significant economic and functional linkages.

Newcastle Local Municipality is well placed to benefit from regional economic growth given its strategic location at the nexus of major tourism, logistics, farming and industrial routes, and as the seat of government in KwaZulu-Natal Province. It is located halfway between Johannesburg and

the harbours of Durban and Richards Bay, hence contributing to the export of manufactured goods and supply to the large Gauteng market. Newcastle is also endowed with good access infrastructure to the areas mentioned above, and such includes quality road and railway networks. The town is situated on the national rail route between the Durban Container Terminal and City Deep in the Gauteng Province, and has within its confines, a major rail exchange terminal, supporting railway stations and extensive goods conversion/warehousing facilities.

The city's local authority has jurisdiction over the surrounding maize, livestock and dairy farms including the industrial areas such as Karbochem, Mittal Steel South Africa (previously ISPAT/ISCOR), and the textile service industry. In addition, the city is also well endowed with coal reserves hence opportunities for coal mining within the area. Arcelor Mittal produces over 105 million tons of steel products annually. Although the Arcelor Mittal steelworks and the Karcbochem synthetic rubber plant dominate the Newcastle industrial portfolio, there is a wide range of manufacturing undertakings sharing in the success of the region. Newcastle has welcomed many Chinese and Taiwanese into the region with the addition of over a hundred textile factories.

During the year 2002, the chrome chemical plant was completed in Newcastle which comes as a clear reflection of the city's industrial future. The joint venture project between Karbochem and the German specialist manufacturing giant LANXESS has made Newcastle the largest producer of chrome chemical in Africa. The company announced an investment of €40 million (almost R600 million) in 2012 towards the construction of a CO<sub>2</sub> plant at its site. Mittal Steel also completed a R400 million project to rebuild one of its coke batteries. Other large operations include a diamond cutting works, various heavy engineering companies, steel reinforcement and slagment cement factories.

The Blackrock Casino and Entertainment Hotel provides much entertainment to Newcastle and the surrounding areas. The Newcastle Mall which was constructed by Zen Prop as a R500 million investment, is found adjacent to the Black Rockcasino and Entertainment Hotel, and it serves as a one-stop shopping destination for the wider region of Northern KwaZulu-Natal. Current and planned urban developments within Newcastle entail the new multi-storey Civic Centre, the 80 million expansion of the Victoria Mall, the Meadowlands Estate in Madadeni (residential estate), major extensions and upgrade of the Madadeni Hospital (Northern KwaZulu-Natal Regional Hospital), a R100 million upgrade of the Madadeni Police Station, the Vulintaba Estate, more development at the corner of Allen street along the Trim Park, the new Audi dealership next to

Newcastle Mall (Aquarand), Spar at corner Allen and Memel Road, planned Mercedes-Benz and dealership next to the Newcastle Mall (Aquarand), the development of the Heartlands Dry Port next to the train station, and the possible extension of the Newcastle Airport (Newcastle Airport Techno-hub). From the 1880s, Newcastle experienced rapid economic growth. Today Newcastle has the largest concentration of industry in the North-Western KwaZulu-Natal region.

There has been a 23.04% decline in the level of unemployment within Newcastle, from 87 619 (60.48%) in 2001 to 37 686 (37.44%) in 2011. In terms of unemployment by gender, the highest concentration is amongst the female population. With regards to formal employment by sector within Newcastle Municipality, trade/retail is the highest employer of the population at 8 888 as of July 2012, followed by Government services at 18 324. Government services as an employment sector is closely followed by manufacturing at 6 419, and subsequently finance at 5 375. As of 2013 the GDP of Newcastle was recorded as occupying 80.20% of the total GDP (0.7%) generated by Amajuba District within the KwaZulu-Natal Province.

In terms of the Human Development Index (HDI – the composite measure of life expectancy, education, and income used to measure human development), Newcastle is currently sitting at 0.57 which is deemed by the United Nations Development Programme as being medium human development index. The Gini Coefficient (the measure of inequalities) in Newcastle assumes a municipality working towards addressing inequalities. In the year 2002 inequality was estimated at 0.65 and in 2012 it was estimated to be 0.62 hence marking a move towards perfect equality. Regarding the levels of poverty, Newcastle has also experienced a decrease from 56.0% in 2002, 51.0% in 2006 and 44.4% in 2012. The annual income per capita of Newcastle Municipality is currently sitting at 29 264 thus meaning that the majority of individuals within Newcastle earn R2 438,66 per month hence falling above the global poverty line of \$1,25 per day based on the dollar – rand exchange rate.

## **1.1 MAYOR'S REPORT**

---

### **STATE OF THE TOWN ADDRESS (SOTA) AND THE BUDGET SPEECH**

Madam Speaker Cllr Jabu Mkhwanazi

Honorable Deputy Mayor Cllr mama Dudu Sibiya

The Exco members

Fellow Counsellors

Mayors and Speakers from Danhauser, Amajuba and Utretch Municipalities.

Amakhosi asendlunkulu onke akhona siyakhuleka

The Religious Leaders present

Captains of industries and business leaders as well as business Chambers

Regional heads of various Government department

Fellow citizens of Newcastle

Leadership of the ANC led by Chris Mhlophe the Regional Secretary

Leaders of all Political Parties present

We meet today just a day after we commemorated the passing of Chris Hani our freedom fighter on the 10<sup>th</sup> of April 1993, this is a reminder that our freedom was not for free, some of our people died fighting for this freedom, some of our freedom fighters left everything including their families to go and be trained in order to come back and face the brutal apartheid system which resulted in lots of bloodshed.

Chris Hani was a true communist until the end, this is how he defined socialism “Socialism is not about big concepts and heavy theory. Socialism is about decent shelter for those who are homeless. It is about water for those who have no safe drinking water. It is about health care, it is about a life of dignity for the old. It is about overcoming the huge division between urban and rural areas. It is about a decent education for all our people. Socialism is about rolling back the tyranny of the market. As long as the economy is dominated by an unelected, privileged few the case for socialism will exist.”

On this day let us all say through our conduct and deeds that Chris Hani’s death was not in vein. Let serve our people with a clear aim of uplifting them without personal gains. As we commemorate Chris Hani let his death and commemoration speak to our conscience as leaders to do good for the people at all cost, let us be inspired to bring material change to our people.

I am delivering this speech in the year 2019 when our people are celebrating 25 years of democracy after the 1994 political breakthrough, in the same vain some maybe asking what has this democracy brought us as the people? So it will be important for me to highlight just the few:

## **PROGRESS MADE SINCE 1994**

- The ANC led government have spent a large part of its budget on tackling poverty, building houses for the poor, electrifying houses, providing water to millions of additional households, redistributing land, improving education and health, as well as providing more than 17.5 million social grants in 2017. This is a massive increase from 2.6 million in 1994. Almost half of all households in SA get at least one social grant (45.5% Stats SA, 2017).
- The ANC led government spent more than half of its national budget on directly improving the lives of poor people. Most households get some free water and electricity, sanitation and refuse removal, RDP houses or land, free education and health. Seventy percent of learners in government schools are at no fee schools and most of those learners get one meal a day at school. Government heavily subsidizes public transport. These services cost more than R4 000 on average per poor household per month. This is the best way for government to directly improve people's lives.

It must be noted that no government in the world has ever managed to do such for its people within the shortest period of 25 years after our people were oppressed for more than 300 years.

Somlomo, today we are here to account to the people of Newcastle as to what have we done and what we are still going to do for them this is based on the participatory governance which means that municipality has to encourage and create conditions for the local community to participate in the affairs of the municipality, as Newcastle Municipality we pride ourselves that we have maintained this level of communication with our community. We must not only communicate in good times but we must also communicate our difficulties no matter what, we must never leave our people in the dark.

### **Towards Vision 2035 Developmental Agenda:**

I often gaze with astonishment when people doing business outside Newcastle often perceive this town as a 'City' and the question that resonate in my mind, is how people of Newcastle perceive their own town. Do Newcastlilians envision and confine themselves to negativities which will soon be a thing of the past or do they see the 'Metropolitan in the making' and the new

development trajectory. Each ones imagination to this question reveals your patriotic state about the town in transition. Newcastle is open for business, let its strategic assets be turned to forms of beneficiation and create the much needed jobs for our residents, let those people who see the ‘City’ come and invest their monies in the town.

Over the last decade we have slowed down development and economic growth due to diverse reasons. We are now reactivating development through piloting and catalyzing growth engines such as the Equarand Mixed Use node (the vacant property between the Newcastle Mall and the Office Park). We want big business and developers of Private Schools to establish here. Our municipal budget has shown that we are pro-growth and pro-poor.

Lately I listened with enthusiasm when the Minister of Transport, Dr Blade Nzimande spoke about the crisis the trucking industry is facing at the mountainous Van Reenen’s pass, along N3. It is for the same reason that we have advertised and commissioned the viability study for an Inland Trade Port, along P483, our mixed use development corridor. We want to increase mobility volumes on N11 and for Sanral to commit to the highway realignment project that they have been talking about for years. We want N11 to start yielding its competitive edge of being a national route linking 3 provinces (KZN, Free State and Mpumalanga). We will do so by asking Department of Transport to split the risk associated with over burdening N3. The proposed trade port will consist of but not limited to transport and logistics, earotropolis, where the airport becomes the main anchor to commercial development, service and light industrial establishment, bioprocessing plants & technology hubs, agricultural sector, etc. Somlomo abake bakikizele omama Somolom I am speaking about the Airport becoming the commercial development because on the 17<sup>th</sup> of April 2019 we are officially opening the Newcastle Airport and it’s all systems go, sesizondiza Somlomo . This is not only good for our town but equally for all the Municipalities within the Northern Region side, this will also go a long way in creating job opportunities especially for our youth.

We will not stop there, we will be reviewing the incentive scheme with a view to lower in put cost and maximize production levels for industrialists. This will bolster their appetite to locate their manufacturing and service hubs in Newcastle. These industries will employ our people in large numbers, their livelihoods will improve, inequality will shrink, and our municipality will be more bankable to any investors.

Somlomo, we will be driving this developmental agenda relentlessly and without tiring until the Vision of a Metropolitan Municipality is bestowed upon all of us. We are on the advanced stages to secure funding for the feasibility study to establish a full-time institution of higher learning

(University of Technology or University) in town. Coupled with this will be the new strategic partnerships we will be forming with the Housing Development Agency (HDA) to assist with student accommodation. Bantu bakithi, on top of this I am happy to communicate to you that the establishment of the new private Hospital which is called Hospital City it's at an advance stage, this will further create more jobs opportunities for our people.

Through our Tourism initiatives Newcastle will be a place to stay, work and play, therefore we are excited when Department of agriculture approved funding for the Regional Water Park development located on the Trim Park, the entrance to our beloved City it is on this basis that the theme of my speech is “LET’S GROW NEWCASTLE TOGETHER”.

### **Financial Analysis of Newcastle Municipality**

Let me borrow from former President Thabo Mbeki on what he said when he delivered the State of the Nation Address in 1999.

“Steadily, the dark clouds of despair are lifting, giving way to our season of hope.

“Our country which, for centuries, has bled from a thousand wounds is progressing towards its healing.

“The continuing process of social and national emancipation, to which we are all subject, constitutes an evolving act of self-definition.

“At the dawn of new life, our practical actions must ensure that none can challenge us when we say – we are a nation at work to build a better life!”

This is what has been amongst the challenges which has led us to these financial difficulties:

- It has been a known fact that municipal finances has not been in a stable condition for a long period based on the challenges which had occurred in the previous year's amongst the contributory factors:
- A low average payment factor of 15% in the Eastern Region of the Newcastle Municipality.
- SACC's business rescue which negatively affected payment factor and the resultant down-scaling in production which resulted in reduced demand for electricity (budget).
- Over charging for the high mast lights by Eskom which was identified and confirmed with Eskom to be R27 million, and the municipality is still engaging with Eskom in this regard for possibly more over-charging).

- Unfunded budget which resulted in our municipality funding unbudgeted projects.

## WHAT IS BIENG DONE TO CORRECT AND BRING ABOUT FINANCIAL STABILITY

- The municipality has established an in-house credit control unit. This will ensure that the credit control processes are aligned with the council's objectives to collect debt in the East and to reduce collecting costs. To this effect I have instructed BTO that those employees of our municipality who are also owing the municipality such must be recovered directly from their salaries before it's even paid out to their bank accounts.
- The municipality is currently rolling out the incentive scheme to individuals and businesses to instil culture of payment of services, while at the same time dealing with arrear debt. As the result our collection revenue has increased from 75% last year to 82% this year.
- The municipality is currently engaged in a massive community outreach programme, particularly targeting the working class at the malls, hospitals, schools and public servants (government departments) we also want to encourage some of you who are here today to also settle your debts by starting as early as tomorrow to make arrangements.
- The municipality has engaged DBSA and ABSA to restructure its loans, with a view to providing a short-term relief in the 2018/19 financial year (capital deferment).
- The municipality is currently engaging Eskom to ensure that the electricity account is accurate at all times and any over-billing is reimbursed to the municipality.
- The municipality is in the processes of implementing various revenue enhancement strategies, including the selling of commercial and residential land, flats, and houses, fixing infrastructure inefficiencies with the aim at increasing the revenue base.
- We are also implementing strict budgetary controls measures by focusing on core expenditure of the municipality, including the cost containment measures already adopted by Council. These include revenue-based budgeting model, ensuring that no orders are issued without budget confirmation, configuration of the financial system to control monthly budgets and prevent over-spending.
- We have also instructed our HR department to work with BTO to curb employee costs by reducing and controlling overtime, and to deal with the encashment of leave but rather encourage taking of leave and time-off. It is on this basis that as the Mayor I will be engaging with the unions about the implementation of this.
- Parking meter base will be operating and the contractor has been appointed

The key message to all of this is that the municipality must increase its revenue collection rate and more importantly curtail non-core expenditure while our expenditure strictly focus on core service delivery issues. To archive this the stability of our municipality is very paramount and I am happy to report that we have filled up most the senior positions within our municipality and we now all our SED's have been appointed and we have already done the interviews for the CFO position.

| Description                     | Draft 2019 - 2020                           | Receipts 2019 - 2020  | Payment factor |
|---------------------------------|---|-----------------------|----------------|
| Domestic Prepaid                | 19,587,280.40                               | 19,587,280.40         |                |
| Domestic Conventional           | 133,164,434.05                              | 122,511,279.33        |                |
| Commercial Conventional Single  | 86,966,927.13                               | 83,488,250.04         |                |
| Commercial Conventional 3 Phase | 78,986,426.35                               | 75,826,969.30         |                |
| Industrial                      | 126,387,195.68                              | 121,331,707.85        |                |
| Special Pricing Agreements      | 309,789,273.24                              | 309,789,273.24        |                |
| Availability Charges            | 57,879,983.84                               | 46,255,785.13         |                |
|                                 | <b>812,761,520.69</b><br><b>812 MILLION</b> | <b>778,790,545.29</b> | <b>95.82</b>   |
| Refuse Removal                  | 78,346,788.07                               | 43,629,126.99         |                |
| Skips                           | 19,062,735.41                               | 16,203,325.10         |                |
|                                 | <b>97,409,523.48</b><br><b>97 MILLION</b>   | <b>59,832,452.09</b>  | <b>61.42</b>   |
| Sanitation Charges              | 119,119,493.46                              | 60,298,287.59         |                |
| Industrial Waste Water          | 1,617,611.03                                | 1,585,258.81          |                |
| Industrial Effluent             | 31,800.00                                   | 62,964.00             |                |
| Connection Charges              | -   | -                     |                |
|                                 | <b>120,768,904.49</b>                       | <b>61,946,510.40</b>  | <b>51.29</b>   |

|                      |                                 |                |       |
|----------------------|---------------------------------|----------------|-------|
|                      | <b>(120 MILLION)</b>            |                |       |
| Conventional         | 154,256,579.15                  | 97,719,846.07  |       |
| Industrial           | 9,876,197.39                    | 9,678,673.44   |       |
| Availability Charges | 28,963,944.70                   | 18,348,340.36  |       |
|                      | 193,096,721.24<br>(193 MILLION) | 125,746,859.88 | 65.12 |
|                      | 340,938,938.77<br>(340 MILLION) | 266,328,199.96 | 78.12 |
|                      | 439 148 000<br>(439 MILLION)    |                | 17.0  |
|                      | 38.446 000<br>(38 MILLION)      |                | 1.9   |
|                      | 9 779 000<br>(9.7 MILLION)      |                | 0.5   |
|                      | 8 661 000<br>(8.6 MILLION)      |                | 0.5   |
|                      | 8 117 000<br>(8.1 MILLION)      |                | 0.4   |
|                      | 4 041 000<br>(4 MILLION)        |                | 0.2   |
|                      | 2 006 000 000<br>(R2 BILLION)   |                | 82.60 |

Somlolo, it is on this basis that I had borrowed the words of former President Thabo Mbeki earlier on because indeed the dark clouds of despair in our finances its lifting, giving way to our season of hope. Our municipality which has been blend from the financial wounds its progressing towards its healing and constitutes an evolving act of self-definition. At the dawn of new life, our practical actions must ensure that none can challenge us when we say – we are a municipality at work.

| DEPARTMENTAL | GFS DESCRIPTION    | BUDGET<br>2019/20 |
|--------------|--------------------|-------------------|
|              | FINANCIAL SERVICES | 168,129,219       |

|                    |                              |            |
|--------------------|------------------------------|------------|
| <b>168,129,219</b> |                              |            |
|                    | CEMETERIES                   | 3,428,666  |
|                    | COMMUNITY SERVICES           | 6,592,918  |
|                    | DAMS & POOLS                 | 1,887,550  |
|                    | FIRE                         | 32,379,245 |
|                    | HALLS                        | 6,351,785  |
|                    | HEALTH                       | 210,000    |
|                    | HEALTH SERVICES              | 7,363,859  |
|                    | LIBRARIES                    | 21,761,718 |
|                    | MUSEUMS                      | 2,650,502  |
|                    | OTHER                        | 1,347,367  |
|                    | PARKS, SPORTS AND RECREATION | 71,563,891 |
|                    | RANKS                        | -          |
|                    | REFUSE REMOVAL               | 73,244,478 |
|                    | SECURITY SERVICES            | 46,549,342 |
|                    | SPORTS AND RECREATION        | -          |
|                    | TRAFFIC CONTROL              | 41,687,611 |

|                           |  |                      |
|---------------------------|--|----------------------|
| <b>317,018,931</b>        |  |                      |
|                           | CORPORATE SERVICES                     | 158,056,881          |
| <b>CORPORATE SERVICES</b> |  |                      |
| <b>Total</b>              |  | 158,056,881          |
|                           | ECONOMIC DEVELOPMENT                   | 6,203,771            |
|                           | HOUSING & LAND                         | 17,340,504           |
|                           | PLANNING & DEVELOPMENT - REGULATION    | -                    |
|                           | TOWN PLANNING                          | 24,648,098           |
| <b>DPHS</b>               |  | 48,192,373           |
|                           | MUNICIPAL MANAGER                      | 96,145,717           |
| <b>MUNICIPAL MANAGER</b>  |  |                      |
| <b>Total</b>              |  | 96,145,717           |
|                           | ELECTRICITY - ELECTRICITY DISTRIBUTION | 791,817,937          |
|                           | ROADS                                  | 220,061,672          |
|                           | SANITATION                             | 87,561,426           |
|                           | WATER - WATER DISTRIBUTION             | 512,841,784          |
| <b>TECHNICAL SERVICES</b> |  |                      |
| <b>Total</b>              |  | <b>1,612,282,818</b> |
| <b>TOTAL BUDGET</b>       |  | <b>2,399,828,439</b> |

## **SERVICE DELIVERY AND PROJECTS**

### **1. DEVELOPMENT PLANNING AND HUMAN SETTLEMENT**

Somlomo, Newcastle municipality has a large number of state-owned residential properties that remain in the hands of the public sector that need to be transferred into private ownership. As the result our municipality working National and Provincial Government have been working on the Title Deed restoration program through EEDBS (Enhanced Extended Discount Benefit Scheme), mostly focusing in historical Black Townships.

Our municipality through the Directorate of Human Settlements has accelerated the process of (EEDBS) in the year 2017/2018 and about 1083 properties have been successfully transferred to the bona-fide beneficiaries with the backlog of 3021 currently remaining and in the next few weeks I will be handing over about 360 Title Deeds which are ready as we speak, the rest the process is ongoing to further register them at the Deeds Office for the transfer thereof. This speaks to the dignity our people, it speaks to sense of pride and sense of belonging.

While we deal with human settlement let me reflect on the hail storm that happened on the 21<sup>st</sup> of March 2019 which resulted in many houses being damaged. The night of the 21<sup>st</sup> of March 2019 our town was hit hard by the hail storm, our disaster management where kept working until the early hours of the morning even our acting MM did not sleep I was on the call with him most of the time as we were checking up and communicating with ward councilors. The next day my office team, acting Municipal Manager and ward councilors as well as disaster management team we went on the ground to assess the extent of damage and also to try and help those who were affected. Affected mostly Siyahlala-la, Fairleigh ward 3, CBD and the surrounding suburbs like Arbor Park. Newcastle Municipality took an initiative by conducting an assessment of all the houses that were damaged on as per my promise when I addressed the Public meeting held at Fairleigh hall on the same day. The number of houses that have been assessed is 600 units. Newcastle Municipality has been in contact with KZN Provincial Department of Human Settlements who had promised and committed that once the assessment has been finalized, a report detailing all damages should be submitted to them in order to access emergency grant funding for disaster relief program.

Department of Community Services working together with the Department of Planning Development and Human Settlements is currently finalizing the list of all the affected beneficiaries and a report to be submitted to KZN Department of Human Settlements. What we discovered was that areas that were most affected where Siyahlala Low cost houses, Fernwood,

Lennoxton, Paradise, Suryaville Municipal Flats, Waaikom, Clontaff Farm. In responding to this firstly we provided those that were affected with Tarpaulin and Salvage sheet to cover their roofs.

This is the detailed report on houses that we have built as the Municipality and those that we have budgeted for in the financial year 2019/2020

**DEVELOPMENT PLANNING AND HUMAN SETTLEMENTS  
(CURRENT PROJECTS)**

| PROJECT                | HOUSES/UNITS                                    | EXPENDITURE            |
|------------------------|---|------------------------|
| KHATHIDE PROJECT       | 1988  | R168,810,255.30        |
| CHARLESTOWN PROJECT    | Planning  | R53,717,255.26         |
| SIYAHLALA - LA PROJECT | 556   | R117,161,020.25        |
| OSIZWENI E PHASE II    | 480   | R41,303,040.00         |
| OSIZWENI E PHASE III   | 130   | R2,142,595.20          |
| MADADENI H39 PROJECT   | Planning, Construction Stage, Internal Services | R49,256,881.31         |
| EMAWOZENI BROWFIELD    | 147   | R11,476,638.15         |
| EMAWOZWENI GREENFIELD  | Planning, Construction Stage, Internal Services | R5,816,160.01          |
| MADADENI ROOF          | 2300  | R84,807,900.00         |
| KWAMATHUKUZA PROJECT   | 1385  | R103,214,410.00        |
| FAIRLEIGH FLATS        | 48  | R4,784,481.40          |
| SURYAVILLE FLATS       | 72  | R7,471,532.30          |
| <b>TOTAL</b>           | <b>7113</b>                                     | <b>R649,962,532.18</b> |

| PLANNED PROJECT 2019/2020    |     |               |
|------------------------------|-----|---------------|
| OSIZWENI SECTION E PHASE III | 150 | R12,8 MILLION |
| MADADENI H39 PROJECT         | 136 | R16,7 MILLION |

|                                |     |                 |
|--------------------------------|-----|-----------------|
| SIYAHLALA - LA HOUSING PROJECT | 170 | R20 MILLION     |
| CHARLESTOWN PROJECT            | 150 | R18,5 MILLION   |
| CRU N11                        |     | R20 MILLION     |
| MADADENI STORM DAMAGE PROJECTS |     | R118 MILLION    |
| SUBTOTAL                       |     | R100,10 MILLION |
| GRAND TOTAL                    |     | R750 000 000 00 |

## **ELECTRIFICATION PROJECTS CHALLENGES**

- Improper maintenance to infrastructure results to the network inefficiency, energy losses and power outage.
- Insufficient capacity from Eskom to supply new electrical connections in the East results in number of households without basic Electricity
- Budget constraints results in the slow implementation of replacing 315KVA min substations with 500KVA mini substations so as to increase capacity to accommodate future developments.
- Budget constraints result in the slow implementation of replacing HPS with LED streetlights so as to improve efficiency in lighting, less energy consumption and less maintenance.
- Budget constraints result in the slow installation of high mast land streetlights so as minimize dark areas.

The electricity tariff will increase by provisionally increase of 13.07% subject to the NERSA guidelines on municipal tariff and the application for the tariff increase to be submitted by the municipality to NERSA. It must be noted that bulk electricity purchases will be increasing to 15% as per NERSA's ESKOM tariff, subject to final guidelines on municipal bulk tariff.

This is how far we have went to deal with electrification of households, street lights and High mast lights. While we note the challenges within the areas of Eskom wherein some houses are with the redoes of Eskom therefor will be electrified directly by Eskom this has resulted in delays in many areas we are in discussion with them to speed up the process in those areas.

## ELECTRIFICATION PROJECTS FOR NEWCASTLE MUNICIPALITY

### Financial year 2010/11

| Project Name     | Number of Connections |
|------------------|-----------------------|
| Bosworth phase 1 | 174                   |
| Drycut phase 1   | 385                   |

### Financial year 2011/12

| Project Name        | Number of Connections |
|---------------------|-----------------------|
| Bosworth phase 2    | 205                   |
| Drycut phase 2      | 188                   |
| Charlestown phase 1 | 115                   |
| Roypoint phase 1    | 100                   |

### Financial year 2013/14

| Project Name           | Number of Connections |
|------------------------|-----------------------|
| Charlestown phase 1    | 115                   |
| Roypoint phase 1       | 100                   |
| Charlestown phase 2    | 215                   |
| Dickshalt phase 1      | 190                   |
| Ingogo phase 1         | 140                   |
| Roypoint phase 2       | 170                   |
| Bosworth phase 3       | 68                    |
| Amajuba Forest phase 1 | 104                   |
| Normandien phase 1     | 29                    |

### Financial year 2014/15

| Project Name           | Number of Connections |
|------------------------|-----------------------|
| Dickshalt phase 1      | 190                   |
| Ingogo phase 1         | 140                   |
| Amajuba Forest phase 1 | 104                   |
| Bosworth phase 3       | 68                    |
| Normandien phase 1     | 29                    |
| Roypoint phase 3       | 102                   |
| Fairview               | 59                    |
| Dickshalt phase 2      | 270                   |
| Emawozini              | 143                   |

### Financial year 2015/16

| Project Name             | Number of Connections |
|--------------------------|-----------------------|
| Charlestown phase 3      | 305                   |
| Ingogo phase 2 / Inkwelo | 130                   |
| Normandien               | 70                    |
| Fairview                 | 45                    |

### Financial year 2016/17

| Project Name        | Number of Connections |
|---------------------|-----------------------|
| Charlestown phase 3 | 187                   |
| Ingogo Valley Inn   | 56                    |

**Financial year 2017/18**

| <b>Project Name</b> | <b>Number of Connections</b> |
|---------------------|------------------------------|
| Siyahlala La        | 500                          |

**Financial year 2018/19**

| <b>Project Name</b> | <b>Number of Connections</b> |
|---------------------|------------------------------|
| Normandien          | 32                           |
| Kwamlimi            | 220                          |
| Bosworth            | 199                          |
| Johnstone           | 97                           |
| Inkwelo             | 74                           |

**Financial year 2019/20**

| <b>Project Name</b> | <b>Number of Connections</b> |
|---------------------|------------------------------|
| Charlestown         | 250                          |
| Lister/Masondeza    | 200                          |
| Blaauwboch          | 120                          |
| Normandien          | 45                           |

**Financial year 2020/2021(Subject to the approval of funding)**

| <b>Project Name</b> | <b>Number of Connections</b> |
|---------------------|------------------------------|
| Charlestown         | 300                          |
| Lister/Masondeza    | 200                          |
| Siyahlala La        | 250                          |
| H39                 | 300                          |

**Financial year 2021/2022 (Subject to the approval of funding)**

| <b>Project Name</b> | <b>Number of Connections</b> |
|---------------------|------------------------------|
| Charlestown         | 250                          |
| Siyahlala La        | 200                          |
| Blaauwboch          | 200                          |

**Energy Efficiency Project (Subject to the approval of funding)**

**Financial year 2019/2020**

| <b>Project Name</b>                  | <b>Number of streetlights</b> |
|--------------------------------------|-------------------------------|
| Newcastle East and West Streetlights | 1000                          |

**Financial year 2019/2020**

| <b>Project Name</b>                  | <b>Number of streetlights</b> |
|--------------------------------------|-------------------------------|
| Newcastle East and West Streetlights | 1000                          |

**Financial year 2019/2020**

| <b>Project Name</b>                  | <b>Number of streetlights</b> |
|--------------------------------------|-------------------------------|
| Newcastle East and West Streetlights | 1000                          |

**High mast Lights Project (Subject to the approval of funding)**

**Financial year 2019/2020**

| <b>Project Name</b> | <b>Number of mast</b> |
|---------------------|-----------------------|
| Newcastle East      | 20                    |

**Financial year 2019/2020**

| <b>Project Name</b>                  | <b>Number of mast</b> |
|--------------------------------------|-----------------------|
| Newcastle East and West Streetlights | 20                    |

**Financial year 2019/2020**

| <b>Project Name</b>                  | <b>Number of mast</b> |
|--------------------------------------|-----------------------|
| Newcastle East and West Streetlights | 20                    |

**HIGH MAST LIGHTS INSTALLATION REPORT**

| <b>WARD</b> | <b>2011/2012</b> | <b>2012/2013</b> | <b>2013/2014</b> | <b>2014/2015</b> | <b>2018/2019 To be achieved by the end of June</b> |
|-------------|------------------|------------------|------------------|------------------|--|
| 01          | 00               | 00               | <b>02</b>        | <b>02</b>        | 01   |
| 02          | 00               | 00               | 00               | 00               | 00   |
| 03          | 00               | <b>01</b>        | 00               | 00               | 00   |
| 04          | 00               | 00               | 00               | 00               | 00   |
| 05          | 00               | 00               | 00               | 00               | 00   |
| 06          | <b>02</b>        | <b>02</b>        | <b>02</b>        | 00               | 01   |
| 07          | 00               | 00               | <b>02</b>        | 00               | 01   |
| 08          | <b>01</b>        | 00               | <b>01</b>        | <b>01</b>        | 01   |
| 09          | 00               | 00               | 00               | 00               | 01   |
| 10          | 00               | 00               | 00               | 00               | 00   |
| 11          | 00               | 00               | 00               | <b>01</b>        | 00   |
| 12          | <b>02</b>        | <b>02</b>        | <b>01</b>        | 00               | 01   |
| 13          | <b>02</b>        | 00               | 00               | 00               | 00   |
| 14          | 00               | <b>02</b>        | 00               | <b>01</b>        | 00   |
| 15          | <b>01</b>        | <b>01</b>        | <b>01</b>        | <b>01</b>        | 01   |
| 16          | <b>04</b>        | <b>04</b>        | <b>01</b>        | 00               | 01   |
| 17          | 00               | 00               | 00               | <b>01</b>        | 00   |
| 18          | 00               | 00               | 00               | <b>02</b>        | 02   |
| 19          | 00               | 00               | <b>01</b>        | 00               | 00   |
| 20          | 00               | 00               | <b>02</b>        | <b>02</b>        | 00   |
| 21          | <b>02</b>        | <b>02</b>        | <b>01</b>        | 00               | 01   |
| 22          | 00               | 00               | 00               | 00               | 01   |
| 23          | <b>01</b>        | <b>01</b>        | <b>01</b>        | 00               | 00   |
| 24          | 00               | 00               | <b>01</b>        | 00               | 00   |
| 25          | 00               | <b>01</b>        | <b>01</b>        | 00               | 00   |
| 26          | <b>01</b>        | <b>01</b>        | <b>01</b>        | <b>02</b>        | 00   |
| 27          | <b>01</b>        | <b>01</b>        | <b>01</b>        | <b>01</b>        | 01   |

|              |           |           |           |           |           |
|--------------|-----------|-----------|-----------|-----------|-----------|
| 28           | 00        | 00        | 01        | 00        | 00        |
| 29           | 00        | 00        | 01        | 00        | 00        |
| 30           | 03        | 04        | 02        | 00        | 01        |
| 31           | 00        | 00        | 01        | 00        | 01        |
| 32           | 00        | 00        | 00        | 00        | 00        |
| 33           | 00        | 00        | 00        | 01        | 01        |
| <b>TOTAL</b> | <b>20</b> | <b>22</b> | <b>24</b> | <b>15</b> | <b>16</b> |

## **WATER, SANITATION AND ROADS**

Somlomo it must be noted that as part of service delivery, I have met with all the departments and the outcomes of that meeting led to the creation of rosters/timesheets which must be implemented by all the department as the reflection of all our wards and all the services that will be provided by the different departments. This means that for sanitation there is a schedule for all the wards as to when will the dislodging be done with specific dates. This goes the same for water tanks trucks, grass cutting, and re-gravelling of our roads. This means Somlomo all our ward councilors will know in time when will these services come to their wards and they will be able to inform the community in time, I have requested that this must be made public in all the wards.

| Area      | Total network (km) | Gravel          | Surfaced roads (km) | Staff Component | Approved Budget Allocated for | Approved revised budget Allocated for |
|-----------|--------------------|-----------------|---------------------|-----------------|-------------------------------|---------------------------------------|
|           |                    | Roads (Backlog) |                     |                 | maintenance 2016/17           | maintenance 2016/17                   |
| Newcastle | 1120               | 570             | 541                 | 137             | R 36,158,664                  | R 18 808 664                          |

The Newcastle Local Municipality has 1120 km of total road network. The network that have been surfaced already total to 541km. This constitute the balance of 579km gravel roads not surfaced.

## **Ventilated Improve Pit toilets (VIP)**

- The Ventilated Improve Pit toilets (VIP) project for 2017/18 financial year entails erection of 50No of VIP structures on various ward.
- The erection of VIP toilets is multiyear project, even this current year (2018/19) it's targeting to benefit another 750 households on various wards.

| Project Budget  | Ward   | Beneficiaries     | Employment opportunities |
|-----------------|--|-------------------|--------------------------|
| R 15 000 000,00 | 1, 6, 7,8,9 12, 13, 15, 16, 17,18,21, 30 ,31& 33 | 750 VIP completed | 150                      |

### Construction of bulk services (water, sewer and roads) at Siyahlalala

| Project Budget  | Status              | Ward | Employment |
|-----------------|---------------------|------|------------|
| R 45 104 504,70 | Practical Completed | 25   |            |



### Roads projects completed in various wards

| Project Description         | Budget         | Length (Km) | Ward No       |
|-----------------------------|----------------|-------------|---------------|
| Madadeni Urban Access Road  | R42 354 669,48 | 5.18        | Various wards |
| Osizweni Urban Access Roads | R25 661 295,61 | 4.42        | Various wards |
| Charlestown roads           | R6 364 043,62  | 1.02        | 1             |
| Watts street                | R3 546 660,36  | 0.52        | 25            |

|                    |               |      |    |
|--------------------|---------------|------|----|
| Kwamathukuza Roads | R5 024 073,25 | 0.78 | 20 |
| Harthon Street     | R1 493 531,46 | 0.15 | 3  |



MD6&MD11



KWAMATHUKUZA ROAD



OB 39



WATTS STREET

## **YOUTH DEVELOPMENT**

As the Municipality we have a responsibility to invest in our youth, it is on this basis that I have decided as the Mayor to re-introduce the bursary for registration fees and for now we have set aside R1154000, this will go a long way to ensure access to education. While we will also encourage them to apply for NSFAS because this deals directly with what the Freedom Charter said “the doors of learning shall be open.”

Further as part of dealing with the issue of creation of employment, in our municipality we will remove the requirement of experience in all entry level posts once they obtain qualification they should get in job training for experience. This has been a big challenge to many of our graduates. Because the youth is the future I have also issued an instruction about the development of the Youth Council which must be done in the new financial year, this must be our response in dealing with the youth development issues which includes amongst skills, development, youth in business, sports and Arts/Culture. This process should be led by the Youth Directorate which must be established in partnership with the NYDA which was launched last year in 2018 and is now fully operational

## **RELIGIOUS SECTOR**

Somlomo I have met with Religious leaders within our Municipality and we had a very fruitful engagement with them, as the result of the said meeting I have than decided that I will be establishing the Religious desk which will be within my office this will deal directly will all the religious sector issues as well develop programs, this does not mean we will be moving the religious sector from the department of Special Projects but rather will be working together with them.

## **FIGHTING CORRUPTION**

Somlomo, a lot has been done to deal with corruption and we are going to continue with the fight, funds that should be utilized for service delivery must go to services delivery. Our people no longer want any excuses, they don't want any further delays. Everyone here must consider this as a warn, we will leave no stone unturned to deal with corruption from our staff, Councilors and business people even politicians we will hit hard on corruption. Not only would we deal with recovering monies but including opening criminal cases and blacklisting those involved, so be warned there is a new Sheriff in Town.

As I conclude Somlomo, we have done a lot to change the lives of our people but it is not enough more still need to be done, while we cannot compare the 300years of apartheid to the 25 years of our democracy, noting that in the Newcastle Municipality the ANC took over in 2009. However our people want us to move with speed, our people are longing for a better tomorrow which must be better than their today. Let me borrow from Karl Marx on his reflection of a Young man (1835)

“If we have chosen the position in life in which we can most of all work for mankind, no burdens can bow us down, because they are sacrifices for the benefit of all; then we shall experience no petty, limited, selfish joy, but our happiness will belong to millions, our deeds will live on quietly but perpetually at work, and over ashes will be shed hot tears of noble people”

Because we are working for mankind the shall be no burdens that will bow us down precisely because they are sacrifices for the benefit of our people, we shall have no petty or selfish joy but rather our happiness will be as the results of our deeds that will belong to the millions of our people. We have come too far as the people however steadily, the dark clouds of despair are lifting and this is giving way to the season of hope, we must ensure that our practical actions must be a reflection that none can challenge us when we say we are a Municipality at work to build a better life for the people of Newcastle.

We know that we will not do this alone that is why I am calling up on each and every one of you, let's work together to grow Newcastle.

## **LET'S GROW NEWCASTLE TOGETHER**

I would like to thank everyone who contributed to this work, all the departments as well as BTO, the senior management of our municipality, the staff in my office and the community of our beloved City of Newcastle. I am affirming my commitment to you that I am here to serve you,

together we will deal with all the challenges, I will communicate to you even in difficult times and at times I will communicate unpopular decisions for I must lead you with honesty and integrity.

Allow me to say special thank you to my beautiful wife, it must be noted that in front of everyone here that I am nothing without you, with all the difficulties you remain my source of strength thank you.

Somlomo I hereby submit my speech we shall meet on the ground when we bring services to our people.

## 1.2 BUDGET RESOLUTIONS

---

- (a) That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2019/20; and indicative allocations for the two projected outer years 2020/21 and 2021/22; and the multi-year and single year capital appropriations be approved;
- (b) That the sources to fund both operating and capital budgets be noted and approved;
- (c) That the Municipality's annual allocation of R87 080 881 to uThukela Water for the provision of bulk water be approved;
- (d) That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out Tariff of Charges that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2019 for all services, except for water and electricity consumption, which be levied on the new tariff with effect from 01 August 2019;
- (e) That the Tariff of Charges be approved and be applicable with effect from 01 July 2019;
- (f) That Water, Refuse and Sundry tariffs be increased by 6% with effect from 01 July 2019.
- (g) That Sewer tariffs be increased by 6% for consumption and 0% for availability charge, with effect from 01 July 2019;
- (h) That property rates tariffs be increased by 0% and impermissible for all properties be increased to R85,000 and it noted that the new valuation roll will be applicable with effect from 01 July 2019;

- (i) That the electricity tariff be increased by provisionally increased by 13.07%, subject to the NERSA guidelines on municipal tariff and the application for the tariff increase to be submitted by the municipality to NERSA. Any changes to NERSA's proposed tariff to be reconsidered by the Council before approval of the final budget in May 2019.
- (j) That bulk electricity purchases be increased by 15.63 as per NERSA's approval of the ESKOM tariff increase.
- (k) That in terms of the Indigent Policy, the monthly household earnings of an indigent application be capped to twice the state pension per month.
- (l) That indigent benefit package be approved as follows:
 

|                          |           |
|--------------------------|-----------|
| Electricity consumption  | : 50 kW/h |
| Water consumption        | : 6 Kl    |
| Electricity availability | : 100%    |
| Water availability       | : 100%    |
| Sewer                    | : 100%    |
| Refuse                   | : 100%    |
| Property rates           | : 100%    |
- (m) That the rate rebates be capped and approved as follows:
 

|   |       |
|---|-------|
| Pensioners  | : 25% |
| Flood victims   | : 50% |
| Bread and breakfasts businesses                                 | : 10% |
| Business development with<br>Property greater than R50 million: |       |
| from 0-4 years  | : 40% |
| from 5-6 years  | : 25% |
| from 7-8 years  | : 10% |
| from 9 years onwards  | : 0%  |
- (n) That the Budget Policy be noted and approved;

- (o) That the Tariff Policy be noted and approved;
- (p) That the Rates Policy be noted and approved;
- (q) That the Indigent Policy be noted and approved;
- (r) That the Customer Care, Credit Control and Debt Collection Policy be noted and approved;
- (s) That the Provision for Doubtful Debt and Debtors Write-Off Policy be noted and approved;
- (t) That the Supply Chain Management Policy be noted and approved;
- (u) That the Cash and Investment Management Policy be noted and approved;
- (v) That the Asset Management Policy be noted and approved;
- (w) That the Petty Cash Policy be noted and approved;
- (x) That the Virement Policy be noted and approved;
- (y) That the Funding and Reserves Policy be noted and approved;
- (z) That the Borrowing Policy be noted and approved;
- (aa) That the Loss control Policy be noted and approved;
- (bb) That the Short-term Insurance Policy be noted and approved;
- (cc) That the Cost Containment Policy be noted and approved;

(dd) That the Property Rates By-Laws be noted and approved;

(ee) That the Tariff By-Laws be noted and approved;

## **1.3 EXECUTIVE SUMMARY**

---

### **1.3.1 INTRODUCTION**

The 2019/2020 annual budget is a consolidated budget of R2.6 billion which has been developed with an overall planning framework and includes the programmes and projects to achieve the minimum strategic objectives of Newcastle Municipality as per the IDP. This budget has been set against the back and the current slow economic growth, escalating debtors, historical commitments on loans and creditors, while at the same time take cognisance in respect of burden to consumers through rate and tariffs. Economic challenges will still continue to put pressure on municipal revenue generation and its ability to collect in the 2019/20 financial year, hence a very conservative approach was adopted when projecting revenue and receipts based on the current payment factors. It is however noted with appreciation that the payment factor of the municipality has been gradually improving since the embankment of the consumer outreach programme.

Despite these challenges, it remains the mandate and responsibility of the municipality to sustain service delivery through this budget by reprioritising expenditure to ensure key objectives are achieved. Provision in this budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure, especially through capital projects, while at the same time taking into account the limited fiscal environment upon which this budget was prepared. The budget has further been structured to contribute to the municipality achieving the minimum strategic objectives of the IDP, taking into account the effect of limited resources. The National Treasury's MFMA circulars were used to guide the compilation of the 2019/20 budget. Furthermore, the budget format and the content incorporates the requirements of the Municipal Budget and Reporting Regulations.

The following principles were applied in formulating the annual budget:

- Affordable, realistic and funded budget;
- Realistic and achievable collection rates;
- Major tariffs to be realistic and affordable to consumers;
- Budget to contribute to achieving strategic objectives of the IDP;
- Repayment of loans to be properly provided for, with no new loans planned for;
- Capital expenditure to be mainly funded from grants;
- Indigent subsidy for water be maintained to the national guideline of 6kl;

- Indigent subsidy package to include property rates;
- No tariff increases for sewer availability and property rates, which the impermissible property value being increased from R15 000 to R85 000 in order to ease the burden of new property values;
- Revenue driven budget with a view to achieve affordability;
- IDP driven budget in order to achieve the requirements of community based planning.

This budget was not crafted without challenges. The main challenges experienced can be summarised as follows:

- The on-going difficulties in the national and local economy which necessitated costs containment measure as required by Treasury circulars;
- National Treasury austerity measures with minimal growth on conditional grants;
- The new general valuation roll, which has increased some of the property values quite substantially;
- Slow economic growth and unemployment, forcing municipality to apply minimal tariffs increases and as guided by National Treasury budget circular;
- Despite improvement, inadequate allocation for repairs and maintenance due to funds limited;
- Additional capital infrastructure injection with no corresponding provision of near or future maintenance due to limited resources
- Inability to extend capital budget projects in terms of the IDP, other than those funded by grants and already on the business plans.
- The use of income-based budgeting, which has proven that previous budgets had been overstated in expenditure.
- Inability to provide for adequate vacant and critical positions due to limited funding.
- Cutting down on sum of the key functions due to limited funds, however prioritising the service delivery (especially maintenance of infrastructure).
- Bulk electricity tariff increase above the increase in revenue tariff increase, which implies burden for the municipality.

### 1.3.2 OVERVIEW OF THE 2017/2018 BUDGET

#### OPERATING BUDGET

The operating budget, which funds the continued provision of services provided by the municipality, is projected to increase from R1.845 billion in 2018/19 to R2.002 billion in 2019/20, representing an increase of R156.9 million. The increase is mainly due to the increase in bulk purchases, employee cost, depreciation of assets and debt impairment. Some revenue and expenditure items reflects increases or decreases when compared to the adjusted budget due to the realignment of items in line with version 6.3 of the Municipal Standard Chart of Accounts (mSCOA). This will be clarified later in the report.

There has been a drastic reduction in the contracted services as well as the general expenses. This is the indication that the municipality is starting to take the right direction towards cost containment of non-core functions, and reprioritisation of service delivery functions. The increase in the overall operating budget is mainly due to the provision of the following:

- Costs of bulk purchases of electricity and water due to tariff increases;
- Increased costs of employee related costs due projected salary increase;
- Increased depreciation due to due new capital projects appropriated in the budget;
- Increased repairs and maintenance due to reprioritisation of item from general expenses;
- Increase debt impairment due to high consumer debtors still not collectable

#### OPERATING REVENUE

Total operating revenue is projected at R2.002 billion in the 2019/20 financial year, representing an increase of R156.9 million (8.6%) from the current year's adjusted budget of R1.845 billion.

The major items of the operating revenue for the 2019/20 financial year are as follows:

| Details            | 2019/2020<br>R'000 | % of Total Revenue |
|--------------------|--------------------|--------------------|
| Electricity        | 811 903            | 40.5%              |
| Water              | 186 097            | 9.2%               |
| Sanitation / sewer | 110 794            | 5.5%               |
| Refuse             | 83 960             | 4.1%               |

|                                 |         |       |
|---------------------------------|---------|-------|
| Property rates                  | 313 499 | 15.6% |
| Grants and subsidies            | 431 718 | 21.5% |
| Other revenue                   | 31 810  | 1.5%  |
| Interest on outstanding debtors | 9 779   | 0.4%  |
| Rental of facilities            | 8 647   | 0.4%  |
| Fines                           | 8 197   | 0.4%  |
| Interest on investments         | 4 041   | 0.2%  |

The following is the analysis of the revenue sources which have had the main impact in the increase in revenue:

- **Electricity services: R811.9 million, increase of R128.5 million (18.8%)**

Electricity tariffs are expected to increase by 13.07%. The increase is guided by the ESKOM approved tariff increase by NERSA. It must be noted that this tariff increase is as per the NERSA's guidelines of municipal tariff increase as well as the application that has been submitted by the municipality to NERSA. With the tariff increase of 13.07%, electricity revenue is expected to increase by R18.5 million in the 2019/20 financial year. Cognisance should also be taken that this percentage increase of 13.07% is way above the projected inflation rate of 5.2%, however this increase is based on the NERSA's tariff approval for Eskom. As mentioned above there were items which have been impacted with the implementation of mSCOA. In this item included is the amount of R4.2 million which was previously classified as other revenue but now is classified as service charge electricity. The revenue figure of R811.9 million is also net of the cost of free basic service of R7 million as in respect of electricity required in terms of the Budget and Reporting Regulations.

- **Water services: R186.0 million, increase of R15.9 million (9.3%)**

Water tariffs are expected to increase by 6% in the 2019/20 financial year. While it is noted that such increase is above the projected CPIX of 5.2%, the tariff increase is however within 6% as strived to be capped at by the National Treasury and the Reserve Bank. The increase of 6% in tariffs is expected to generate additional revenue of R15.9 million, from R170.1 million in the current year to R186.0 million in the 2019/20 financial year. The revenue figure of R186 million

is net of the cost of free basic services of R7 million in respect of water as required in terms of the Budget and Reporting Regulations.

- **Refuse removal: R97.4 million, increase of R2.6 million (3%)**

Refuse removal tariffs are expected to increase by 6% in the 2019/20 financial year. While it is noted that such increase is above the projected CPIX of 5.2%, the tariff increase is however within 6% as strived to be capped at by the National Treasury and the Reserve Bank. The increase of 6% in tariffs is expected to generate additional revenue of R2.6 million, from R94.7 million in the current year to R97.4 million in the 2018/19 financial year.

- **Sanitation: R110.7 million, increase of R3.6 million (3.4%)**

Sanitation tariffs are expected to increase by 6% for consumption and 0% for availability charge in the 2019/20 financial year. While it is noted that such increase is above the projected CPIX of 5.2%, the tariff increase is however within 6% as strived to be capped at by the National Treasury and the Reserve Bank. The increase of 6% is expected to generate additional revenue of R3.6 million, from R107.1 million in the current year to R110.7 million in the 2019/20 financial year. The revenue figure of R110.7 million is net of the cost of free basic services of R10 million in respect of sanitation as required in terms of the Budget and Reporting Regulations.

- **Property rates: R313.4 million, increase of R30.7 million (10.8%)**

Property rates tariffs are expected to increase by 0% in the 2019/20 financial year, while the impermissible amount will be increased from R15 000 to R85 000. This is done in order to ease the impact of the new valuation roll which will be implemented with effect from 01 July 2019. Having considered the above, the increase in the value of properties alone is expected to generate additional revenue of R30.7 million, from R282.7 million in the current year to R313.4 million in the 2019/20 financial year. The revenue figure of R313.4 million is net of the revenue foregone of R27.9 million in respect of rates as required in terms of the Budget and Reporting Regulations.

- **Transfers recognised: R431.7 million, decrease of R22.1 million (-4.9%)**

Revenue from grants is expected to decrease by R22.1 million to R453.9 million in the 2019/20 financial year. These operating grants are the equitable share, the Finance Management Grant

(FMG), Expanded Public Works Programme and various other provincial grants from department of Arts and Culture and the Department of Human Settlements. A portion of the Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG) have also been included in the operating budget in order to deal with capacity operational issues in the department of Technical Services. Reference is made to table SA18 in respect of the split of transfers which will fund operational and capital expenditure. The appropriation of transfers in the budget in accordance with the transfers as per the Division of Revenue Act and the provincial gazette.

- **Fines: R8.1 million, increase of R0 (0%)**

No increase has been projected from revenue from fines due to the current year's performance. The revenue from fines will be capped at R8.1 million in the 2019/20 financial year.

- **Interest on investments: R4.0 million, an increase of R0 (0%)**

No increase has been projected from revenue from interest on investments due to the current year's performance and the current state of finances, which makes it difficult to make more investments. The revenue from the interest on investments will be capped at R4.0 million in the 2019/20 financial year.

- **Interest on outstanding debtors: R9.7 million, increase of R0 (0%)**

No increase has been projected from revenue from interest on investments due to the current year's performance. The revenue from the interest on investments will be capped at R4.0 million in the 2019/20 financial year.

- **Indigent benefit: R65.3 million, increase of R0 (0%)**

No increase or decrease has been projected from for the indigent benefit. The budget for the indigent benefit will be capped at R65.3 million due to low number of indigents. While the National Treasury guideline is noted in respect of each service, the municipality is however confident that the allocation of free basic services as included in the budget is adequate. The allocation is based on the indigent register of the municipality, which is reviewed on a regular basis.

- **Rental of facilities: R8.6 million, increase of R490 249 (6%)**

Revenue from rental of municipal facilities is expected to generate R8.6 million to the operating revenue, representing an increase of R490 249 (6%) from the current financial year. Despite the projected increase in the 2018/19 full year forecast, the municipality is however in the process of disposing some of its facilities. While it is noted that such increase in above the projected CPIX of 5.2%, the tariff increase is however within 6% is strived to be capped at by the National Treasury and the Reserve Bank.

- **Licences: R14 315, no increase expected**

No increase has been projected from revenue from licenses and permits due to the current year's performance. The revenue from the licences and permits will be capped at R14 315 in the 2019/20 financial year.

- **Other revenue: R31.8 million, a decrease of 3 million (-8.6%)**

Sundry tariffs are expected to increase by 6% in the 2019/20 financial year. While it is noted that such increase in above the projected CPIX of 5.2%, the tariff increase is however within 6% is strived to be capped at by the National Treasury and the Reserve Bank. Other revenue is expected to generate revenue of R31.8 million, from R34.8 million in the current year to R31.8 million in the 2019/20 financial year. The reduction is due to the reclassification of the item of the gain on disposal of asset, which was previously misclassified as other revenue.

- **Gain on disposal of PPE: R2.3 million, an increase of 132 000 (-6%)**

Gain on disposal of PPE is expected to generate revenue of R2.3m. The municipality is in the process of disposing some of its properties, which is expected to continue in the 2019/20 financial year.

## **OPERATIONAL EXPENDITURE**

Total operating expenditure is projected at R2.405 billion in the 2019/20 financial year, representing an increase of R107.2 million (4.7%) from the current financial year's adjusted budget of R2.297 billion. The municipality's expenditure for the 2019/20 budget is informed by:

- National Treasury budget and cost containment measures circulars
- Relevant legislative imperatives,
- Expenditure limits set by realistic and realisable revenue levels,
- Modelling of feasible and sustainable budgets over the medium term,
- National and local economic and fiscal conditions,

The major items of the operating expenditure for the 2019/20 financial year are as follows:

| Details                       | 2019/2020<br>R'000 | % of Total Budget |
|-------------------------------|--------------------|-------------------|
| Bulk purchases                | 684 074            | 28.4%             |
| Employee related costs        | 591 321            | 24.6%             |
| Depreciation                  | 491 981            | 20.4%             |
| Debt impairment               | 174 245            | 7.2%              |
| Other expenditure (excl. R&M) | 213 823            | 8.8%              |
| Interest of loans             | 45 042             | 1.8%              |
| Repairs and maintenance       | 118 817            | 4.9%              |
| Remuneration of councillors.  | 26 845             | 1.1%              |
| Contracted services           | 54 249             | 2.2%              |

The following are expenditure items included in the budget:

- **Employee Related Costs: R591.3 million, increase of R42.8 million (7.8%)**

Employee related costs has increased from R548.5 million to R591.3, representing an increase of R42.8 million (7.8%). An annual salary increase of 7.1% and notch increases of 2% have been projected for all employees, based on the SALGBC multi-year collective agreement on wage and salaries. In line with the National Treasury guideline, employee costs represent 24.6% of the total budget, which is still within the acceptable threshold. Included in the employee costs of R591.3 million is a budget of R20 million in respect of all new and critical positions. The municipality will come up with a reprioritisation model of which positions will be catered for from this budget.

Included in the employee related costs is an amount of R21.8 million for overtime. This constitute 3.6% of the employee related costs, which is also within the National Treasury norm of 5%. The bulk of this provision relates to overtime for essential services which the municipality cannot avoid. These services include waste management, electricity maintenance, water maintenance and other essential services which the municipality is required to provide to communities. It will be noted that this provision has been reduced substantially from the previous financial years due to measures implemented to monitor and curb overtime.

It must be further noted that the an amount of R6.8 which was previously included under employee costs has been re-classified to other expenditure in order to comply with the requirements of mSCOA version 6.3. Items affected in this regard are the workmen's compensation and skills development levy.

- **Remuneration of Councillors: R26.8 million, an increase of R1.1 million (4.4%)**

Remuneration of councillors is projected to be R26.8 million, representing an increase of R1.1 (4.4%) from the current financial year. The projection is based on the 2018/19 notice of the upper limits issued by the MEC for Local government in December 2018, and an increase of 5% has been estimated in respect for 2019/20, which will be determined by the MEC for CoGTA at the beginning of 2020. This provision also is based on the expectation that EXCO councillors and the Chief Whip may be approved as full time councillors during the 2019/20 financial year. This item has also been affected with the reclassification of the skills development levy potion of about R151 000, which has been moved to other expenditure in compliance with mSCOA.

- **Repairs and maintenance: R118.8 million, an increase of R32.0 million (37%)**

Expenditure on Repairs and Maintenance is projected at R118.8 million, representing an increase of R32.0 million from the current financial year. It must further be noted that a municipality has budgeted R18 million for the roads resealing under capital budget, which also form part of maintenance of roads. It must be noted that the provision for repairs and maintenance has improved from 4.0% to 5% of the total operating expenditure. The municipality is striving to ensure that more budget is being channelled from non-core function to core functions. The drastic increase in the maintenance budget is an indication of such effort. On table SA1 of the budget tables repairs and maintenance has been broken down to contracted services and those which will be done internally as per mSCOA regulations.

- **Bulk Purchases: R684.0, an increase of R81.8 million (13.6%)**

Expenditure on bulk purchases is projected at R684.0 million, representing an increase of R81.8 million (13.6%) from the current financial year. This provision includes R597 million for the purchase of electricity from Eskom and R87.0 million for the purchase of bulk water from uThukela Water. Expenditure on Bulk Purchases of Electricity has been increased from R516.2 million to R597 million due to the NERSA increase on Eskom tariffs by 15.63% as approved by NERSA. Bulk Water purchases has been increased by 5% from the current year's budget of R82.9 million due to the expected municipal tariffs.

- **uThukela Water Entity: R87.0 million, an increase of R4.2 million (5%)**

The municipality's contribution to uThukela Water increased from R82.9 million to R87.0 million which represents an increase of R4.2 million (5%) from the current financial year. While the entity has submitted a budget of R119 million, the current financial state of the municipality makes it impractical to afford such a budget. Hence, the municipality has only afforded the increase in line with the inflation rate and the expected tariff increase of the municipality on water.

- **Debt impairment: R174.2 million, an increase of R10.2 million (6.2%)**

The municipal has projected to incur R174.2 million on debt impairment, representing an increase of R10.2 million (6.2%) from the current financial year budget of R163.9 million. The provision and the increase is based on the council's debtors' book, and the rate at which doubtful debt is expected to escalate. The provision for doubtful debt is calculated in line with the provision of the Council's approved Credit Control and Debt Collection Policy. It must however be mentioned that the recent campaign to collect outstanding debtors and to build the culture of payment of services in the townships has started to yield positive results.

- **Depreciation: R491.9 million, an increase of R19.8 million (4.2%)**

Provision for depreciation has been projected to be R491.9 million, representing an increase of R19.8 million (4.2%) from the current financial year. The provision is based on the municipality's asset register. The increase is attributable to the projected capital expenditure and the

infrastructure projects which were completed during the current financial year, the impact of the depreciation is expected fully during the budget year.

- **Finance Charges: R45.0 million, an increase of R1.3 million (3%)**

Expenditure on interest on loans is projected to be R45.0 million, representing an increase of R1.3 million (3%) from the current financial year. The finance charges of R45.0 million is based on the amortisation schedules of the loans portfolio of the municipality, which is expected to last for at least next nine years. It must however be noted no new loans will be taken by the municipality in the 2019/20 financial year.

- **Contracted services: R54.2 million, a decrease of R41.5 million (-43%)**

Expenditure on contracted services is projected to be R54.2 million, representing a decrease of R41.5 million (-43%) from the current financial year. The decrease is due to the decrease in provision for security services, as well as the expenditure on housing projects (grant funded), which was only appropriated in the current financial year. In order to comply with mSCOA requirements, an amount of R10.7 million has been included under contracted services from other expenditure.

- **Materials: R4.3 million, an increase of R842 345 (24.2%)**

Expenditure on materials is projected at R4.3 million, representing an increase of R842 345 (24.2%) from the current financial year. Included under this items are materials for the cleaning of municipal buildings, halls, chemicals, cleansing material, pest control, etc. The increase is due to the additional provision allocated for water chemicals.

- **Departmental Charges: R37.2 million, an increase of R4.0 million (12%)**

Expenditure on departmental charges is projected at R37.2 million, representing an increase of R4.0 million (12%) from the current financial year. This provision is the municipality's expenditure on its use of water, refuse, sewer and electricity. The increase of R4.0 million is attributable to increase in tariffs for all service charges. The budget for contracted services is part of other expenditure. It must be noted that, of the provision of R37.2 million of departmental charges, only R16 million is cash items which will impact of the payments on cash-flow budget.

The remainder of R21 million relates to municipal services for rates, water, refuse and sanitation, which are non-cash items. It is however required in terms of GRAP that cost of such services be accounted for.

- **‘Other expenditure: R213.8 million, a decrease of R128.2million (-37%)**

Other expenditure is projected to be R213.8 million, representing a decrease of R128.2 million (-37%) from the current financial year. The decrease is due to the implementation of cost containment measures, and the reallocation of funds to the repairs and maintenance. The breakdown of the “other expenditure” as attached as part of SA1 tables. This item has also been impacted by the implementation of mSCOA where items from employee related cost and remuneration of councillors have been moved to this class of expenditure.

As stated above, also included under other expenditure is an amount of R37.2 million in respect of departmental charges, for the municipality’s usage of water, electricity, sanitation and refuse. As indicated, the amount of R16 million of the departmental charges relates to the funding for purchase of electricity from Eskom for the municipal usage. This amount is has been included as the cash-item under cash-flow budget. The remainder of R21 million relates to cost for which the municipality will be make any payments. This has therefore been excluded under the payments in the cash-flow budget.

## **OPERATING SURPLUS/DEFICIT**

The operational budget therefore yields an operating deficit of R401.9 million. It remains the commitment of the municipality to comply with MFMA Circular No.72, which encourages municipalities to adopt a surplus position over the MTREF with a view to achieve and maintain financial stability of the municipality. Having analysed this deficit position against the cash collections, the municipality concludes that the deficit is mainly due to the provision for Debt Impairment, depreciation and departmental charges, which are non-cash items. In eliminating this expenditure items and applying reliable revenue collection rates, the operating budget is said to be fully funded when analysed in terms of the NT MFMA Circular No.52.

## CAPITAL BUDGET

The municipality's capital budget is projected to be R207.1 million, consisting of R173.2 million to be funded from government grants, and R33.9 million to be funded from internally generated funds.

The summary of the capital budget over the medium terms is depicted as follows:

| Details                   | 2019/2020<br>R'000 | % of total<br>expenditure |
|---------------------------|--------------------|---------------------------|
| Total Capital Budget      | 207 119            | 100%                      |
| <u>Funded as follows:</u> |                    |                           |
| Grant funding             | 173 189            | 84%                       |
| Internal funding          | 33 930             | 16%                       |
|                           | <b>207 119</b>     | <b>100%</b>               |

Government grants continue to fund the bulk of capital programme over the next three financial years, covering 83% of the capital expenditure in the 2019/20 financial year. Due to the current cash flow position, the municipality has no plans to take new loans.

The capital budget summarised by asset type can summarised as follows:

| ASSET CLASS                 | 2019/2020<br>R'000 | 2019/2020<br>R'000 |
|-----------------------------|--------------------|--------------------|
| Libraries & Archives        | 11 442             | 5.5%               |
| Sports and Recreation       | 8 243              | 3.9%               |
| Vehicles and Machinery      | 5 900              | 2.8%               |
| Furniture and Equipment     | 3 050              | 1.4%               |
| Land and Services           | 6 500              | 3.1%               |
| Roads                       | 139 583            | 67.3%              |
| Water Distribution          | 32 400             | 15.6%              |
| <b>TOTAL CAPITAL BUDGET</b> | <b>207 119</b>     | <b>100%</b>        |

The municipality will be spend bulk of its capital programme towards basic infrastructure, with R139.5 million towards roads, R32.4 million towards water. R11.4 million utilised for construction of libraries, while R8.2 million will be utilised for the upgrade of Phelindaba Sports facility. The municipality will begin a process of acquiring its only plant in the 2019/20, with R5.9

million allocated for the grader, roller and the light delivery vehicle. The municipality has also allocated R6.5 million for the purchase and serving of land with future revenue potential.

The following is the list of capital projects which will be implemented over the medium term:

| DEPARTMENT | PROJECT DESCRIPTION | DRAFT BUDGET<br>(R'000) |
|------------|---------------------|-------------------------|
|------------|---------------------|-------------------------|

**COMMUNITY SERVICES**

|                                 |   |               |
|---------------------------------|---|---------------|
| Community Services              | Upgrade of Phelindaba Indoor Sport Centre | 8 243         |
| Community Services              | Purchase of R 1,75m3 containers           | 500           |
| Community Services              | Rescue tools (Jaws of life)               | 750           |
| Community Services              | 3 ton truck                               | 450           |
| Community Services              | Furniture for halls                       | 300           |
| <b>Total Community Services</b> |   | <b>10 243</b> |

**DPHS**

|                   |   |               |
|-------------------|---|---------------|
| Town Planning     | JBC to Osizweni Secondary Link Road Phase 2 | 19 616        |
| Town Planning     | Blaaubusch Library                          | 10 442        |
| Town Planning     | Purchase of land                            | 500           |
| Town Planning     | Servicing of land( Lenville)                | 1 500         |
| <b>Total DPHS</b> |   | <b>32 059</b> |

**BTO**

|                  |                           |              |
|------------------|---------------------------|--------------|
| BTO              | Furniture and Equipment   | 1 880        |
| BTO              | Light Delivery Vehicle    | 250          |
| BTO              | Madadeni Cashiers' Office | 600          |
| <b>Total BTO</b> |                           | <b>2 730</b> |

**TECHNICAL SERVICES**

|                      |   |       |
|----------------------|---|-------|
| Infrastructure Civil | Resealing of Roads - Madadeni           | 3 500 |
| Infrastructure Civil | Resealing of Roads - Osizweni           | 3 500 |
| Infrastructure Civil | Resealing of Roads - CBD Newcastle West | 3 000 |
| Infrastructure Civil | Resealing of Roads - Residential West   | 7 000 |
| Infrastructure Civil | Resealing of Roads - Kilbarchan         | 1 000 |
| Infrastructure Civil | Grader                                  | 2 500 |
| Infrastructure Civil | Smooth Drum Roller                      | 2 200 |

|                                 |                                       |                |
|---------------------------------|---------------------------------------|----------------|
| Infrastructure Civil            | Hospital Street - Medical Precinct    | 4 500          |
| Infrastructure Civil            | MF55                                  | 11 995         |
| Infrastructure Civil            | MD35                                  | 74 00          |
| Infrastructure Civil            | ME11 (A)                              | 5 000          |
| Infrastructure Civil            | ME11 (B)                              | 7 250          |
| Infrastructure Civil            | OE41                                  | 5 250          |
| Infrastructure Civil            | OA85 (B)                              | 13 500         |
| Infrastructure Civil            | OC20                                  | 6 000          |
| Infrastructure Civil            | Furniture and Equipment               | 120            |
| Infrastructure Civil            | MD30                                  | 3 300          |
| Infrastructure Civil            | OA85(A)                               | 4 272          |
| Infrastructure Civil            | OA103                                 | 11 500         |
| Infrastructure Water            | Newcastle East Water Supply Extension | 3 400          |
| Infrastructure Water            | Blaaubosch Bulk Water                 | 10 000         |
| Infrastructure Water            | Upgrade of Ingagane WWT Phase 1       | 8 000          |
| Infrastructure Water            | Pipe Replacement and Upgrade          | 6 480          |
| Infrastructure Water            | Madadeni High Lying Areas             | 9 000          |
| Infrastructure Water            | Osizweni Pressure Management          | 8 000          |
| Infrastructure Water            | Newcastle West Pressure Management    | 9 000          |
| Infrastructure Water            | WCDM                                  | 5 419          |
| <b>Total Technical Services</b> |                                       | <b>162 087</b> |

**TOTAL CAPITAL BUDGET** **207 119**

## COST CONTAINMENT MEASURE

The municipality adopted the Circular No.82 with regards to the implementation of the cost containment measures. The municipality has also put measures through the curbing of unnecessary expenditure and reduction of other expenditure from the budget. This is however done without compromising service delivery and with the available cash resources.

## DRINKING WATER QUALITY

The municipality complies within the required Blue Drop status in terms of the quality of water being provided to the citizens of Newcastle. Water test samples are being provided in all water

storages to ensure that necessary standards is being met before water is distributed to communities.

## **WASTE WATER MENEGEMENT QUALITY**

The municipality complies within the required Green Drop status in terms of the quality of waste water management being provided to the citizens of Newcastle. While it is acknowledged that there is a challenge of sewer infrastructure in areas currently not zoned under Newcastle Municipality, the municipality does reach out to such areas using the VIP dislughing system. The municipality further distributes VIP toilets in areas where water-bone sewer is not yet available. The larger part of Newcastle Municipality does have the necessary sewer system.

#### **1.4 BUDGET TABLES AND RELATED CHARTS**

---

As attached in Annexure D - Schedule A tables

## PART 2 – SUPPORTING DOCUMENTATION

### 2.1 OVERVIEW OF BUDGET PROCESS

#### 2.1.1 OVERVIEW

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The budget process is an effective process that every local government must undertake to ensure good governance and accountability. The process outlines the current and future direction that the municipality would follow in order to meet legislative stipulations. The budget process enables the municipality to optimally involve residents and other stakeholders in the budgeting process.

The budget preparation process is guided by the following legislative requirements:

- Municipal Finance Management Act;
- Municipal Budget and Reporting Regulations;
- Municipal Systems Act; and
- Municipal Structures Act.

Section 21 of the MFMA requires that a time schedule setting out the process to draft the IDP and the budget be tabled ten months before the financial year. In compliance with this requirement the IDP and budget time schedule was tabled before council in August 2018. The main aim of the timetable is to ensure integration between the Integrated Development Plan, the budget and aligned process towards tabling a balanced budget. The tabling of the 2019/20 Medium Term Budget for the Newcastle Municipality will lay the foundation by which strategic functions within the municipality could apply sound financial planning and management over the medium to long term. It will facilitate the critical alignment of planning, budgeting and sustainable service delivery in line with Newcastle's vision as enshrined in the IDP.

The purpose of the 2019/20 budget is to comply with the Municipal Finance Management Act (No. 56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which is informed by our five year programme and community/stakeholder inputs. The tabled budget is the start of a journey towards the final budget for approval. It will include many processes both politically and administratively, amongst others, consultations with communities in the municipal area. In February 2019 budget instructions were

issued to departments by the Budget and Treasury Office. Staff budget requirements were also reviewed for budgetary purposes with an intense scrutiny of human resource needs and assessment of all vacancies.

A budget workshop was held during March 2019 which focused on the state of financial affairs, limited resources and how the budget will be allocated to departments. The workshop further dealt with past performance trends of operating budget and capital budget, identified budget approach going forward and set the criteria and basis to be used in the appropriation of financial resources amongst municipality's functions during budget processes. Budget meetings were also held with various departments and the Management Committees. At these meetings, budget strategy, budget policies and the alignment of the budget with the IDP were discussed. The IDP's strategic focus areas informed the development of the budget, in addition to assessing the relative capacity to implement the budget, taking affordability considerations into account.

### **2.1.2 POLITICAL OVERSIGHT OF THE BUDGET PROCESS**

The key to strengthening the link between priorities and spending plans lies in enhancing political oversight of the budget process. Strengthening the link between Government's priorities and spending plans is not an end in itself, but the goal should be enhanced service delivery aimed at improving the quality of life for all people within the municipality. Section 53(1) (a) of the MFMA, states that, the mayor of a municipality must provide political guidance over the budget process and the priorities that must guide the preparation of the budget. The Management Committee and the Executive Committee did advise Council accordingly in this regard. Political oversight of the budget process allows government, and in particular, the municipality to manage the tension between competing policy priorities and fiscal realities.

### **2.1.3 PROCESS FOR CONSULTATIONS WITH EACH GROUP OF STAKEHOLDERS AND OUTCOMES**

Local government policy and legislation put great emphasis on municipalities developing a culture of community participation and the creation of appropriate and relevant community participation mechanisms, processes and procedures. The municipality prides itself of enjoying the reputation of actively engaging many of its citizens as possible in its planning, budgeting, implementation and monitoring processes. In order to strengthen public participation, the municipality has been rolling out its outreach programme to all wards in the municipal area, during the year.

Accordingly, the tabling of the draft Budget in council was followed by extensive publication of the budget documentation in the local newspapers, libraries, and all municipal public areas. Copies of the tabled budget in both electronic and printed formats were submitted to National Treasury as well as the KwaZulu-Natal Provincial Treasury and the Provincial Department of Co-operative Governance and Traditional Affairs. The tabled budget was published on the council's website. In terms of the Municipal Systems Act and in conjunction with the Municipal Finance Management Act, hearings on the budgets took place prior to the final budget being adopted by council May 2019, where the Mayor officially responded to budget submissions made by various stakeholders. The key target groups for the budget hearings will include:

- Newcastle Business Chamber;
- Farmers Association; and
- Business Chambers
- Political Parties

Schedules indicating dates and venues was publicized in the local Newcastle papers and municipal notice board during the first week of April 2019 to allow proper consultation.

#### **2.1.4 SCHEDULE OF KEY DEADLINES RELATING TO THE BUDGET PROCESS**

The budget time schedule for the compilation of the 2019/20 budget cycle was tabled in August 2018, well before the start of the budget year and in compliance with the MFMA. The plan was accordingly implemented and reviewed where considered necessary to do so.

The following table reflect the activities and key deadlines that were included in the schedule.

| DATE           | ACTIVITY   | RESPONSIBILITY |
|----------------|--|----------------|
| August 2018    | <ul style="list-style-type: none"> <li>• 10 months before start of the budget year: Tabling of time schedule outlining key deadlines to the municipal Council as per MFMA S21(b).</li> <li>• Advertising of budget and IDP time schedule.</li> </ul> | Mayor/MM       |
| September 2018 | Conclude initial consultation and review policies, confirm priorities, identify other financial and non-financial parameters including government allocations, and the financial outlook in order to needs and to review fiscal strategies.          | MM/CFO         |
| October 2018   | Meeting with Mayor, Exco and Manco to discuss the  | MM/BTO         |

| DATE          | ACTIVITY  | RESPONSIBILITY             |
|---------------|---|----------------------------|
|               | strategic direction and objectives for the 2017/18 fiscal strategies.   |                            |
| October 2018  | <b>Budget Framework.</b><br>Meeting the SED's to discuss the budget preparation process of the budget framework to provide parameters and request budget inputs for 2017/2018.  | BTO                        |
| November 2018 | <b>Completion of Salary Budget and assess impact on tariffs and charges.</b>  | BTO/HR                     |
| December 2018 | <ul style="list-style-type: none"> <li>Finalize inputs from bulk resource providers (NERSA, uThukela) and agree on proposed price increase.</li> <li>Submit all Budget related policies for review.</li> <li>Prepare guidelines and template for compilation of draft budget three year operational and capital budget.</li> </ul>  | BTO                        |
| January 2019  | <ul style="list-style-type: none"> <li>Finalize detailed operational and capital budget, finalize all budget related policies.</li> <li>Review the proposed National and Provincial allocations for incorporation into the draft budget.</li> <li>Report back on progress with Budget inputs.</li> </ul>  | BTO/MANCO                  |
| February 2019 | <ul style="list-style-type: none"> <li><b>Submission of Budget Inputs:</b><br/>Final date for SED's to submit departmental budget inputs.</li> <li>Proposed Capital Projects from IDP.</li> <li>Accounting Officer finalises and submits to the Mayor the proposed budgets and plans for the next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report.</li> <li>Compile a discussion document from inputs and submit to EXCO and MANCO.</li> </ul> | MM/BTO/SED'S               |
| February 2019 | <b>Budget/IDP Strategic Workshop</b>  | Extended MANCO and EXCO    |
| March 2019    | <b>Budget Workshop:</b><br>Discussion of budget inputs, link capital and operational plans to IDP and determine proposed tariffs.   | EXCO<br>MANCO              |
| March 2019    | <b>Draft Budget:</b> <ul style="list-style-type: none"> <li>90 days before the start of the budget year, Council must consider approval of the draft budget.</li> <li>Submit the draft multi-term operational and capital budget and all budget related policies for approval.</li> <li>Submission of approved budget both printed and electronically to COGTA, National and Provincial Treasury.</li> <li>Make public notice in terms of S22, 75 of the MFMA and 21A of the Municipal Systems Act.</li> </ul>  | MAYOR, MM, CFO             |
| April 2019    | <b>Public Consultation Process:</b><br>Public Consultation on draft budget throughout the municipality in terms of Chapter 4 of the Municipal Systems Act.  | MAYOR<br>EXCO<br>MM<br>CFO |
| May 2019      | <b>Respond to Public Comments in terms of S23 of the MFMA.</b> <ul style="list-style-type: none"> <li>Response to public comments and sector comments.</li> <li>Incorporate recommendations into draft budget.</li> <li>Bilateral engagement with Provincial Treasury.</li> </ul>   | MAYOR<br>BTO<br>MM         |

| DATE      | ACTIVITY   | RESPONSIBILITY     |
|-----------|--|--------------------|
| May 2019  | <b>Approval of Final Budget – MFMA S24.</b> <ul style="list-style-type: none"> <li>Approve the final multi-term operational and capital budget together with the adoption of resolutions that may be necessary.</li> </ul>   | COUNCIL            |
| June 2019 | <b>Publication of Annual Budget.</b> <ul style="list-style-type: none"> <li>Submission of the approved budget printed and electronically to COGTA, National and Provincial Treasury, S22(b).</li> <li>Make public notice in terms of S22(a), 75 of the MFMA and 21A of the Municipal Systems Act.</li> <li>Capture the approved budget on to the financial system.</li> <li>Submission of locking certificate in terms of S74(1) of the MFMA.</li> </ul> | MM<br>BTO          |
| June 2019 | <b>Compile SDBIP</b><br>Compilation of the service delivery and budget implementation plan (SDBIP) 28 days after the approval of the budget and submit to Council for approval.  | PMS<br>MAYOR<br>MM |

## **2.2. OVERVIEW ALIGNEMENT OF ANNUAL BUDGET WITH INTEGRATED DEVELOPMENT PLAN**

---

The municipality's Integrated Development Plan (IDP) is its principal strategic planning instrument, which guides and informs its on-going planning, management and development actions. The IDP represents the municipality's administration's commitment to exercise its executive authority (except in cases where it is in conflict with national or provincial legislation, in which case such legislation prevails), and is effectively the local government's blueprint by which it strives to realise its vision for Newcastle in the short, medium and long term. However, while the IDP represents the strategic intent of the municipality, it is also compiled with the understanding that a number of challenges will need to be overcome in order to achieve the strategic objectives it sets out. Some of these challenges are known, while others are as yet unknown and may arise at any time due to any number of local, national and international economic, political or social events.

### **2.2.1 KEY NATIONAL AND PROVINCIAL GUIDING DOCUMENTS**

To ensure that the municipality is a more responsive, efficient, effective and accountable local government, we will outline, precisely how we intend to translate our long term 2035 Municipality Vision into an effective plan that aligns the municipal budgets, monitoring and evaluating mechanisms as well as timeframes for delivery. The municipality has taken the strategic direction to achieve closer alignment between the Long Term Development objectives and its IDP. The development of the strategic approach for the municipality is guided by – but not limited to – the following;

#### *National Development Plan (Vision 2030)*

The intention of this plan is to improve service delivery for citizens of South Africa, whilst integrating national, provincial and local policies and programmes into a single, target orientated and long term based plan. In this plan a collective approach of improving the lives of the citizens is applied, and communities themselves have a role to play in this regard. The Spatial component of the NDP which is the Integrated Urban Development Framework provides a macro spatial context for urban development at a national level.

### *Delivery Agreement Outcome 9*

The aim of Delivery Agreement: Outcome 9 is to ensure a responsive, accountable, effective and efficient local government system so as to restore the confidence of citizens in the local government sphere. As such municipalities need to ensure that the basic needs of communities are met; build clean, effective, efficient, responsive and accountable local government; improve performance and professionalism and strengthen partnerships between local government, communities and civil society. Whilst primarily there is a reporting line to Outcome 9, the municipality also reports on Outcome 8 which concentrates on human settlements.

### *National Priorities: SONA (State of the Nations Address 2018)*

The State of the Nation address for the 2019 confirmed the President Cyril Ramaphosa's commitment to economic growth and strengthening of state capacity to deal with improving the living conditions of the people of South Africa. The President made emphasis on the five urgent tasks for the year ahead. Over the next 12 months, government will focus on the following:

- Accelerating inclusive growth by encouraging massive new investments needed to make significant gains in job creation.
- Early Childhood Development will be made compulsory and be migrated from social development programme to basic education.
- Improving the living conditions of life of all South Africans, especially the poor.
- Provide political oversight and strategic management to reform, reposition and revitalise State Own Enterprises.
- Improve public servants capacity and strengthen service delivery. The National School of Government is introducing compulsory courses that will cover ethics and anti-corruption, senior management and supply chain management.

### *Towards an Integrated Urban Development Framework*

A key objective of government is to facilitate economic growth, job creation and reduce poverty and income inequality. The framework for integrated urban development is a key governmental initiative to realise this objective because it leverages the potential of our cities and towns, which are South Africa's engines of growth and job creation. Urban areas offer the advantages of economic concentration, connectivity to global markets, the availability of new technologies and the reality of knowledge economies. Given the challenges that urban areas face, there is a need to

forge a sustainable growth vision for our urban and rural spaces that will guide our development priorities and choices. As such the framework begins to identify key levers.

#### *Provincial Priorities (State of the Province Address)*

The Premier highlighted Key intervention areas for the province that would influence the IDP for municipalities. In the SOPA the alignment of the IDP, PGDS and the NDP were stressed. In the speech the KZN Premier listed the priority Interventions which remain the foundation of the Provincial Growth and Development Plan. The Interventions are:

- Build an inclusive economy that creates jobs
- Transform our rural areas
- Ensure decent living conditions and sustainable human settlements
- Improve and expand education and training
- Ensure quality health care for all
- Expand comprehensive social security
- Fight crime and corruption
- Build a united nation and promote social cohesion

The Premier also stressed on the development and protection of human capital and the need to further develop skills and improve education in the province. The alignment of the provincial action plan with the President's State of the Nation Address remain the priority of the provincial government of KwaZulu Natal.

#### *Provincial Growth and Development Strategy*

In line with the National vision 2030, the Provincial Growth and developmental Strategy will ensure economic growth and improved quality of life in KwaZulu-Natal. An integrated service delivery mechanism will be applied by various stakeholders in an effort to create employment opportunities, skills enhancement, effective and efficient governance, human and community development, improved infrastructure and adequate utilization of spatial form. The PGDS is currently under review to ensure that the plan meets the objectives of the National Planning Commission as well as the SDG's.

#### *Long Term Development Framework*

Many town and cities around the world are competing with one another on the local global open market to become economically competitive and in doing so, are inadvertently creating

unsustainable environments. Against this background then, it is clear that the municipality has indeed a direct role to play in the facilitation and management of long-term planning and development processes that consider the issue of sustainability.

### **2.2.2 DEVELOPMENT CHALLENGES**

Significant strides have been made to address the key development challenges in the municipality. While significant progress has been made in all areas, there is still some distance to go towards addressing the following challenges:

- High rates of unemployment and low economic growth;
- High levels of poverty;
- Low levels of skills development and literacy;
- Limited access to basic household and community services;
- Increased incidents of HIV/AIDS and communicable diseases;
- Unsustainable developmental practises;
- Ensuring adequate energy and water supply;
- Infrastructure degradation;
- Ensuring financial sustainability;
- Ineffectiveness and inefficiency of inward-looking local government still prevalent in the municipality.

The essence of the Newcastle Municipality's IDP is to achieve a balance between meeting basic needs, strengthening the economy and developing people skills and a technology base for the future.

### **2.2.3 MUNICIPAL STRATEGIC PRIORITY AREAS**

In order to achieve our vision and to address the development challenges, there are a number of key strategic priority areas which need to be taken into consideration. These priorities lead to the creation of structures which support, house and associate other actions and activities – the building blocks around which actions and prioritisation take place. It also acts as a point of leverage for creating a sustainable municipality that is caring and liveable.

### **2.2.4 POLITICAL PRIORITIES AND LINKAGES TO THE IDP**

The IDP is an all-encompassing plan which provides the framework for development within a municipality. It aims to co-ordinate the work of local and other spheres of government in coherent plans to improve the quality of life for all the people living in the area. All operating and capital programs in the 2018/20 medium-term budget have been assessed through a prioritisation mechanism that was developed to ensure that there is alignment to the development strategy of the municipality. The IDP formed the basis of the priorities identified in the strategic plan and all resources are focused on the achievement of the priorities. The Mayor, Ward councillors, ward committees, and the full council full an active part in the community based planning and ensuring that budget takes to the priorities of the IDP.

## **2.2.5 IDP OVERVIEW**

The Municipal Systems Act requires that each Municipality prepare an Integrated Development Plan to serve as a tool for transforming local governments towards facilitation and management of development within their areas of jurisdiction. The IDP is a five year plan whose principal purpose is to ensure the development of the local community in an integrated manner which involves strategic business units within the municipality, relevant strategic stakeholders and the community. This draft IDP marks the new 4<sup>th</sup> generation of the five years period of the new Council which occupied office in August 2016.

## **2.2.6 IDP PROCESS AND STAKEHOLDER PARTICIPATION**

The IDP is prepared every five years and reviewed yearly to inculcate a democratic approach to local governance by ensuring all stakeholders get an opportunity to voice their opinions in influencing the shape, form, direction and pace of development in their localities. The municipality is committed to addressing the needs of the people and values the inputs from communities and stakeholders. The IDP draft process plan for 2019/2020 was presented to the Executive Committee and its included in the draft IDP for consideration. The plan specified timeframes, actions and procedures and appropriate mechanisms for public participation and alignment.

The fourth generation of Newcastle's Integrated Development Plan (IDP) has been initiated and seeks to address community needs and how the municipality will achieve same over the next five years. As set out in the Municipal Systems Act (2000), a stakeholder consultation process is

necessary. Of critical importance is for the municipality to ensure that there is thorough consultation with the community and strategic stakeholders. The review of the five year plan in 2019/20 has provided further opportunity for the citizens to actively participate in the development of the IDP.

## **2.2.7 LINK BETWEEN THE IDP AND THE BUDGET**

In compliance with the Municipal Structures Act (1998) and Municipal Financial Management Act (2003), our municipal budget is informed and aligned to the IDP objectives. The IDP determines and prioritises the needs of the community. The budgetary allocations for both the capital and operating expenditure are undertaken in a manner that will not only ensure that our IDP outcomes are achieved but also to ensure that our municipality's 2035 vision is realised. *The 2019/20 Annual Budget has therefore been directly informed by the revised 4<sup>th</sup> generation IDP process.*

We have come a long way in capital budgeting – away from departmental budgeting. Based on such nationally developed models, the municipality is able to link its budget with its programmes, and is able to adequately spread its capital budget geographically as well in accordance with the IDP. In terms of the operating budget we have made excellent progress but are now more committed than ever to ensure that critical operating budget resources are prioritised in terms of stated IDP outcomes. More importantly, the Performance Management System (PMS) allows the municipality an opportunity to monitor and evaluate organisational performance in meeting our IDP outcomes and vision. As with previous year's, our IDP remains the strategic driver of both our budget and performance management system.

## 2.3. MEASURABLE PERFORMANCE OBJECTIVES

---

### 2.3.1 KEY FINANCIAL RATIOS / INDICATORS

The benchmarks reflected in the table below are based on the actual audited results of the municipality for the 2017/18 financial year:

| Financial Benchmark                      | Basis of calculation  | 2017/2018 |
|--|---|-----------|
| Debt to Asset Ratio                      | Total debt / Total Assets                                     | 0,17 : 1  |
| Debt to Revenue                          | Total debt / Total Income                                     | 0,74 : 1  |
| Average Interest Paid on Debt            | Interest Paid / Total Interest Bearing Debt                   | 0,10 : 1  |
| Capital Charges to Operating Expenditure | Interest and Principal Paid / Operating Expenditure           | 0,04 : 1  |
| Interest as a % of Operating Expenditure | Interest Paid / Operating Expenditure                         | 2%        |
| Current Ratio                            | Current Assets / Current Liabilities                          | 0,80 : 1  |
| Creditors System Efficiency              | % of Creditors paid within terms                              | 74,0%     |
| Electricity Distribution Losses          | Total units purchased less units sold / Total units purchased | 4,16%     |
| Water Distribution Losses                | Total units purchased less units sold / Total units purchased | 48,8%     |

The financial benchmarks reflected in the table indicate a favourable financial state, however, one needs to indicate that the bulk of assets of the municipality include Property Plant and Equipment, as well as consumer debtors, which the municipality is struggling to convert into liquid cash.

#### ***Debt to Asset Ratio:***

The ratio indicate the leverage ratio that defines the total amount of debt to assets. The ratio of 0.17 indicates the ability of council total debtors to cover for total liabilities.

#### ***Debt to Revenue:***

The ratio indicate the extent of total borrowings in relation to total operating revenue. The purpose of to provide assurance that sufficient revenue will be generated to repay liabilities.

#### ***Capital charges to Operating Expenditure:***

---

Capital charges to operating expenditure (the measure of cost of borrowing in relation to the operating expenditure) compares favourably to the acceptable norm of around 6%.

***Current ratio:***

This ratio measures the short-term liquidity, that is, the extent to which the current liabilities can be paid from the current assets. The higher the ratio, the healthier is the situation. The ratio of 0.80 : 1 is below the norm of 1.5 and indicates that the municipality's current assets are not adequate to cover for short term liabilities. This is a clear indication that the municipality facing serious cash-flow challenges.

---

### **2.3.2 FREE AND SUBSIDISED BASIC SERVICES**

Municipalities play central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to social well-being and economic activity. Newcastle Municipality comprises both rural and urban areas as well as wide spread of income groups. Due to variation in living environment, the municipal area has a number of households who currently do not have access to all services.

The basic social package is an affirmation of the municipality's commitment to push back the frontiers of poverty by providing a social welfare to those residents who cannot afford to pay, because of adverse social and economic realities. The social package will also assist the municipality in meeting its constitutional obligations. The estimated cost of social package amounts to R65.3 million for the 2018/19 budget year.

Details of initiatives carried out by Newcastle Council in this regard are detailed below:

| Service          | Social Package  | Million (R) |
|------------------|---|-------------|
| Assessment Rates | All residential property owners are exempt from paying rates on the first R15,000 of the property value. Indigent residents will receive 100% rebates on rates. | 13.0        |
| Water            | The first 6kl of water is free to all residents qualified as indigents in terms of the policy   | 13.2        |
| Electricity      | The first 50kwh of electricity is free to all residents qualified as indigents in terms of the policy   | 7.0         |
| Refuse           | Refuse is free to all residents qualified as indigents in terms of the policy   | 18.6        |

|                         |  |             |
|-------------------------|--|-------------|
| Sewer                   | Sewer is free to all residents qualified as indigents in terms of the policy | 13.5        |
| <b>Indigent Support</b> |  | <b>65.3</b> |

The cost of indigent benefit to the tune of R63.5 million is funded from the equitable share provided by the National Government, which amount is based on the estimated ±6 900 number of indigents currently in the Indigent Register. The assistance to the qualifying households is regulated by Council budget related policies which are reviewed annually based on modelling the impacts of the tariffs on all residential properties.

## **2.4 OVERVIEW OF BUDGET RELATED POLICIES**

---

The MFMA and the Municipal Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, to be updated on an annual basis. The main purpose of budget related policies is to govern and guide the budget process and inform the projections of the medium term budget.

### **2.4.1 APPROVED POLICIES**

The following budget-related policies have been approved by Council and no amendments have been done:

- Budget Policy
- Petty Cash Policy
- Borrowing Policy
- Cash and Investment Management Policy
- Virement Policy
- Funding and Reserves Policy
- Asset Management Policy
- Loss Control Policy
- Short-term Insurance Policy
- Supply Chain Management

### **2.4.2 DRAFT POLICY AND POLICIES REVIEWD**

The following policies have been amended and/or reviewed and attached with the budget for consideration.

- Cost containment Policy

### **2.4.3 RATES POLICY**

As required in terms of section 5 of the MPRA, the Rates Policy has been reviewed for the 2019/20 financial year. The policy is to be amended with the current budget prior to implementation.

---

#### **2.4.4 CREDIT CONTROL AND DEBT COLLECTION POLICY**

The primary objective of the policy is to ensure that all monies due and payable to the municipality in respect of services are collected efficiently and promptly. As required in terms of sections 97 of the Municipal Systems Act, the credit control and debt collection policy for the 2019/20 financial year has been reviewed and is to be adopted with the current budget.

#### **2.4.5 TARIFF POLICY**

The Municipal Systems Act requires a municipality to have a Tariff Policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery, and which complies with the provisions of that Act, the MFMA and other legislation. Accordingly, a Tariff Policy which is attached with the budget for Council adoption.

## 2.5 OVERVIEW OF BUDGET ASSUMPTIONS

---

Budget assumptions and parameters are determined in advance of the budget process to allow budgets to be constructed to support achievement of the long-term financial and strategic targets. The assumptions and principles applied in the development of this budget are mainly based upon the guidelines from National Treasury and other external bodies such as NERSA, SALGA, Government Departments and the major service providers. A number of assumptions that guide growth parameters have been built around the projected increase in the inflation (CPI), being 5.2% for the 2019/20 financial year.

### OPERATIONAL BUDGET

The municipal fiscal environment is influenced by a variety of macroeconomic control measures. National Treasury determine the ceiling of year-on-year increases in the total operating budget, whilst NERSA regulates electricity tariff increases. Various government departments also effect municipal service delivery through the level of grants and subsidies.

The following key assumptions underpinned the preparation of the medium term budget. Revenue are projected to increase by the following percentages:

| Revenue source             | 2018/2019 | 2019/2020 | 2020/2021 |
|----------------------------|-----------|-----------|-----------|
| Property rates             | 0%        | 6%        | 6%        |
| Electricity                | 13.07%    | 8%        | 8%        |
| Water                      | 6%        | 6%        | 6%        |
| Sanitation                 | 6%        | 6%        | 6%        |
| Waste/Refuse               | 6%        | 6%        | 6%        |
| General Sources of Revenue | 6%        | 6%        | 6%        |

Over the years, the municipality has been increase tariffs for rates, service charges and sundry services for more than 7%. Guided by the National Treasury and the current economic climate, the tariffs for 2019/20 for 6% for water, sewer, refuse and sundry services. The tariff increase for property is projected at 0%, with the understanding that values of properties has been increased. In order to deal with the impact of valuations, the impermissible amount for rates has also been

increased from 15 000 to R85 000. The tariff increase of 13.07% for electricity is based on the NERSA approval of the Municipal Tariff increase guideline.

The projected increases in the expenditure items are as follows:

| Revenue source               | 2018/2019 | 2019/2020 | 2020/2021 |
|------------------------------|-----------|-----------|-----------|
| Employee related costs       | 7.1%      | 7%        | 7%        |
| Remuneration of councillors  | 5%        | 5%        | 5%        |
| Electricity budget purchases | 15.63%    | 8%        | 8%        |

The increase in employee related costs is based on the South African Local Government Bargaining Council multi-year wage agreement. The projected increases in the upper limits of councillors is based on the upper limits for the remuneration of councillors for the current financial year, and the 5% estimated increase during the 2019/20 financial year. The tariff increase of 15.63% is based on the NERSA's approval of the tariff hike increase for ESKOM bulk electricity purchases. Where there are significant changes from what is been projected, the municipality may consider tabling an adjustment budget or accordingly correct in the final budget is still practical.

Expenditure in respect of repairs and maintenance, contracted services and general expenses has been zero-based but limited to the available funding. While it is acknowledged that the costs of providing such goods and services may be more or less than what is projected, the municipality will however employ stringent budget monitoring and control measures to ensure that the municipality operates with the approved budget on these items. Also, the municipality has been very effective in ensuring that expenditure is prioritised and reallocated on service delivery functions, such as the repairs and maintenance.

## CAPITAL EXPENDITURE

The municipality's capital expenditure has been funded from a mix of government grants and internally generated funds. About R173.2 million is expected to be received from government grants and the balance of R33.9 million from internally funds. Based on DORA and the provincial gazette, it is expected that all grants appropriated in the medium term budget will be made available by the National and Provincial governments. Where grants are withheld or additional grants made available during the budget year, such will be addressed by way of an adjustment budget. Internally

generated funds is expected to be realised from refunds which will be claimed from the SARS capital VAT input.

## **2.6 OVERVIEW OF FUNDING THE BUDGET**

---

### **FISCAL OVERVIEW**

Although the financial profile of the municipality is not healthy and liquid due to commitments from the previous financial years, the municipality has ensured that realistic revenues and affordable expenditure is projected in the medium term budget. This has been achieved through the following measures:

- Funded budget to be generated during the budget and the MTREF period. Currently no reserves are available to supplement funding of both operating and capital budgets.
- Measures will be ensured that the municipality operates within the budget as approved by Council. There is no intention to incur unauthorised expenditure.
- The municipality will ensure that it strives to develop and maintain a positive cash and investment position (cash and cash equivalents).

### **FUNDING OF CAPITAL BUDGET**

The capital budget is funded mainly by allocations made to the municipality by National and Provincial government in the form of grants, as well a minor portion of internally funded funds. No external loans will be taken by the municipality to fund its capital programme. Furthermore, no reserves are available or earmarked for the purpose of funding the capital budget.

The municipality has provided R173.2 million from grant receipts to fund the capital budget, both from National and Provincial Governments. This amount is made up of MIG, WSIG, NDPG as well as provincial allocations from the Departments of Sports and Recreation. R31.0 million worth of projects will be funded from internal funds to be generated through Vat refunded on conditional grants as per Circular 58 of the MFMA, and a balance from sale of municipal properties. The municipality is further projecting to realise cash surplus from the operating budget, a portion of which will also be used to fund the internally funded capital expenditure.

---

## FUNDING OF OPERATING BUDGET

Funding of operating budget is achieved through various sources, the major ones being service charges of electricity, water, sanitation, refuse, property rates as well as grants and subsidies from National and Provincial governments. The municipality is expecting to collect 261 million from property rates, R1.040 from services charges, R431 million from transfers – operating, R8.9 million from interest income, R49.1 million from other revenue. These collection will assist with the payment of expenditure which is expected to be raised during 2019/20. A further amount of R66.9 million is expected to be collected from arrear consumer debtors. This amount is expect to assist with the payment of the outstanding Eskom debt of R92 million.

It is anticipated that the above funding sources for operating and capital expenditure will be adequate to fully fund the budget. The total revenue or funding for both operating and capital is projected at R2.064 billion, while total payments are projected at R2.042 billion. The following is the summary of projected receipts and payments for the 2019/20 financial year:

| CASH FLOWS                          | 2019/20<br>'000  |
|-------------------------------------|------------------|
| pening balance                      | 9 802            |
| <b>Receipts</b>                     | <b>2 064 988</b> |
| Property rates                      | 261 530          |
| Service charges                     | 1 040 261        |
| Transfers - operating               | 431 718          |
| Transfers - capital                 | 173 189          |
| Interest                            | 8 931            |
| Other revenue                       | 49 183           |
| Receipts from arrear debtors        | 66 420           |
| Receipts from Vat refunds           | 31 068           |
| Proceeds on disposal of PPE         | 2 332            |
| Increase in consumer deposits       | 356              |
| <b>Payments</b>                     | <b>2 042 376</b> |
| Suppliers and employees - operating | 1 672 617        |
| Suppliers - Eskom debt              | 92 000           |
| Suppliers - capital expenditure     | 207 119          |
| Finance charges                     | 45 042           |
| Repayment of loan - capital         | 25 598           |
| <b>Closing cash balance</b>         | <b>32 414</b>    |

With the funds invested and in the opening balance, the municipality is expected to cover all its provisions and reserves as reflected in A8 table of the Schedule a.

## COLLECTION RATES FOR EACH REVENUE SOURCE

In accordance with the relevant legislation and national directives, the municipality's projected revenue collection rates are based on realistic and sustainable trends. The rate of revenue collection is the cash collected from consumers expressed as the percentage of the amount billed.

The average monthly collection rate and projections for the year are as follows:

| Revenue Source | Average 2019/2020 | Average 2018/2019 |
|----------------|-------------------|-------------------|
| Property rates | 77%               | 77%               |
| Electricity    | 97%               | 95%               |
| Water          | 66%               | 55%               |
| Sewer          | 51%               | 50%               |
| Refuse         | 62%               | 57%               |

The total average collection rate is projected at an average of at least 84% and is based on the combination of actual collection rates achieved to date, and is the estimated outcome for the current financial period. The intervention of council through the intensive scheme and the consumer outreach programmes which are aimed at encouraging and building the culture of payment of services is expected to improve the payment factor by even a larger margin than currently projected.

The credit control measure of service disconnection is being applied on consumers whose electricity is supplied by the municipality. A programme of water meter testing is currently underway in order to identify unmetered water supply and encourage the payment of services. By and large, these are areas from which a substantial and long overdue debtors of the municipality is being owed. The water meter testing programme is expected to improve the collection of outstanding debtors, and to build a culture of payment. It will also assist the municipality to clean-up its indigent register by identifying those consumers who can and those who cannot afford to pay.

## 2.7 GRANT ALLOCATIONS AND PROGRAMMES

Municipalities play a critical role in furthering government's objective of providing services to all, while facilitating local economic development. Local government conditional grants are being reformed to provide targeted support to different types of municipalities.

The following are the projected grants allocations to the municipality in terms of the 2019 Division of Revenue Act have been included in the medium term budget.

### National allocations

| Grant Description                     | 2019/2020<br>R'000 | 2020/2021<br>R'000 | 2021/2022<br>R'000 |
|---------------------------------------|--------------------|--------------------|--------------------|
| Equitable Share                       | 373 648            | 402 741            | 435 158            |
| Finance Management Grant              | 1 700              | 1 700              | 1 700              |
| Neighbourhood Development Partnership | 30 059             | 10 000             | 20 000             |
| Municipal Infrastructure Grant        | 112 580            | 119 073            | 128 414            |
| Integrated National Electrification   | 14 000             | 14 980             | 20 000             |
| Municipal Water Infrastructure Grant  | 40 000             | 45 000             | 50 000             |
| Municipal Systems Improvement Grant   | 1 750              | 2 000              | 2 000              |
| Expanded Public Works Programme       | 3 098              | 0                  | 0                  |
| <b>Total National Allocations</b>     | <b>576 835</b>     | <b>595 494</b>     | <b>657 272</b>     |

### Provincial allocations

| Grant Description                   | 2019/2020<br>R'000 | 2020/2021<br>R'000 | 2021/2022<br>R'000 |
|-------------------------------------|--------------------|--------------------|--------------------|
| Title Deeds                         | 3 000              | 3 000              | 0                  |
| Sports Facilities                   | 8 243              | 8 655              | 8 750              |
| Nodal Plans                         | 2 500              | 0                  | 0                  |
| Provincialisation of Libraries      | 6 546              | 6 873              | 7 251              |
| Accredited Municipalities           | 7 620              | 7 620              | 7 620              |
| Museums Services                    | 386                | 407                | 429                |
| Community Library Services Grant    | 2 160              | 2 312              | 2 475              |
| <b>Total Provincial Allocations</b> | <b>30 455</b>      | <b>28 867</b>      | <b>26 525</b>      |

## **2.8 ALLOCATIONS AND GRANTS MADE BY NEWCASTLE MUNICIPALITY**

---

No grants will be paid by the municipality to other organs during the medium-term budget.

Please refer to tables A 21 of Schedule A.

## **2.9 COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

---

*Please refer to tables SA22 and SA24 of Schedule A*

## **2.10 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOWS (Table 15a)**

---

Please refer to table SA25 to SA30 of Schedule A

## **2.11 ANNUAL BUDGET AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN – INTERNAL DEPARTMENTS**

---

The SDBIP will be submitted separately.

## **2.12 ANNUAL BUDGET AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS**

---

### **Municipal Entities**

The agreement is currently in force in the following brief details:

- (a) Name of Entity : Uthukela Water (Pty) Ltd
- (b) Period of agreement : 30 years
- (c) Service provided : Water and sanitation
- (d) Expiry date : 24 May 2034

The Entity is currently under Provincial Administration and being investigated in terms of section 78 of the Municipal Systems Management Act, 32 of 2000.

## **2.13 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

---

In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework unless section 33 of the MFMA has been complied with.

In ensuring adherence to this time frame limitations, all reports submitted to either Bid Evaluation or Bid Adjudication Committees must obtain financial comments from the Budget and Treasury Office.

## **2.14 CAPITAL EXPENDITURE DETAILS**

---

*Please refer to Annexure A5 of Schedule A*

## **2.15 LEGISLATION COMPLIANCE STATUS**

---

### **DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION**

Compliance with the MFMA implementation requirements has been substantially adhered to through the following activities:

#### **BUDGET AND TREASURY OFFICE**

The Budget and Treasury Office has been established in accordance with the MFMA.

#### **BUDGET**

This draft annual budget has been crafted taking into account MFMA, Municipal Budget and Reporting Regulations, and National Treasury circulars into account. Budgets are being tabled, adopted and submitted to National and Provincial Treasuries within the required legislative frameworks.

#### **IN-YEAR MONITORING**

100% compliance with regards to monthly, quarterly, mid-year and annual reports to Council, Provincial and National Treasuries.

#### **IDP**

The 2019/20 to 2021/22 Budget Process has been prepared to align with the Budget in accordance with the MFMA and the Municipal Systems Act requirements.

#### **ANNUAL REPORT**

The 2017/18 Annual Report has been developed taking into account the MFMA and National Treasury requirements. The report was noted by Council at its meeting held on 25 January 2018 and entered the public participation phase for comments immediately thereafter.

#### **AUDIT COMMITTEE**

The audit Committee, an independent external committee, provides an oversight function over the financial management and performance of the municipality.

## MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The committee ensures that the administration and municipal entity are held accountable for their management of municipal funds and assets, and to ensure the efficient and effective utilisation of council resources.

## MUNICIPAL STANDARD CHART OF ACCOUNTS

As all municipalities are required by National Treasury to be fully mSCOA compliant as of 01 July 2017, the municipality 95% ready to comply with this requirement. The following is the progress on the implementation of mSCOA thus far:

- The mSCOA champion has been appointed
- Steering committee has been established
- Implementation Plan developed
- Proof of concept has been presented to NT
- Data clean-up issues has been identified and resolved
- Changes to chart are attended to on an on-going basis
- System are currently in the process of being integrated
- The municipality went live on 01 July 2017, but still cleaning up as per developments
- Projects has been identified and linked in terms of the IDP and the budget.
- The municipality is addressing issues integration of systems
- The municipality is addressing challenges on alignment between budget schedules and data strings

## **2.16. ANNUAL BUDGET OF MUNICIPAL ENTITY ATTACHED TO THE MUNICIPALITY'S ANNUAL BUDGET**

---

The budget of the Entity Uthukela Water has not yet been received for Council consideration. A provision of R87.0 million has however been made in the annual budget.

## MUNICIPAL MANAGER'S QUALITY CERTIFICATE



I, **MJ Mayisela**, the Acting Municipal Manager of **Newcastle Municipality**, hereby certify that the Final budget and supporting documentation of 2019/2020 Operating and Capital Budget have been prepared in accordance with Section 24A of the Municipal System Act; No32 of 2000; Chapter 4 of the Municipal Finance Management Act No56 of 2003.

**Print Name** : **MUZI JUSTICE MAYISELA**

**Acting Municipal Manager** : **NEWCASTLE MUNICIPALITY**

**Signature** : .....

**Date** : .....

3/6/2019